DOCUMENT RESUME

ED 307 448 CE 052 556

TITLE Moving Arkansas Forward into the 21st Century. Legislative Program for the 77th General Assembly.
INSTITUTION Arkansas State Office of the Governor, Little Rock.
PUB DATE Oct 88
NOTE 73p.
PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC03 Plus Postage.
DESCRIPTORS Correctional Rehabilitation; *Economic Development; *Educational Legislation; Elementary Secondary Education; *Family Health; *Government Role; Health Needs; Law Enforcement; Policy Formation; Postsecondary Education; Public Health Legislation; Public Policy; *State Legislation; *State Programs; *Taxes; Trust Responsibility (Government); Vocational Education
IDENTIFIERS *Arkansas; Environmental Protection

ABSTRACT

This document presents the legislative program advocated by the Governor of Arkansas that was scheduled to be sent to the Arkansas Legislature in January 1989. The program expresses the needs of the state in terms of its ability to compete with the rest of the country in education, jobs, economic development, and prosperity, and it points out the costs of those needs in terms of better education and higher taxes. The five sections of the program cover the following areas: (1) investing in education (public education, higher education, strengthening vocational training, reducing illiteracy); (2) investing in people (preventive health care for mothers and infants, needs of adolescents, family preservation, other health care issues, needs of state employees, housing for homeless); (3) investing in communities (economic development, environmental matters); (4) investing in law enforcement (prisons, state police and crime laboratory); and (5) tax reform. (KC)

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LEGISLATIVE PROGRAM
for the
77th GENERAL ASSEMBLY

Moving Arkansas Forward into the 21st Century

BILL CLINTON
GOVERNOR

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STATE OF ARKANSAS
OFFICE OF THE GOVERNOR
State Capitol
Little Rock 72201

Bill Clinton
Governor

INTRODUCTION

This legislative program, "Moving Arkansas Forward into the 21st Century," is my administration's effort to be faithful to the promise of the four-year term -- to define what we must do to secure Arkansas' future. It represents much hard work by hundreds of Arkansas citizens and public officials who served on many task forces and commissions dealing with our state's most critical problems. It builds on the work we have done since 1983 in education and economic development. It is consistent with the conclusions drawn by every study of our nation's and the South's economy: either we invest more in human capital and develop our people's capacity to compete, or we are headed for long term decline. America's human capital problems are the subject of the cover story of the September 19th edition of Business Week.

Arkansas has been hit harder than most states by America's economic problems in the 1980's. From 1946 to 1978, Arkansas' per capita income rose from 56 per cent to 78 per cent of the national average. But from 1978 to 1987, our per capita income slid from 78 per cent to 75 per cent of the national average. This trend affected most Southern states and other rural states with economies tied to agriculture and manufacturing.

Our state did very well for over 30 years after World War II by following, along with other Southern states, a simple but effective development strategy: support federal efforts to increase farm income; recruit manufacturing plants from out of state; sell Arkansas as a beautiful state with hard working people, low wages and low taxes.

The old strategy stopped working in the 1970's, under the pressures of a highly competitive world economy. Meanwhile, other states with far higher labor costs and taxes began to do well because their people are better educated and their economies more diversified than ours.

We can achieve the good jobs and rising incomes our people deserve only if we adopt a new development strategy, one which is committed to make the investments and enforce the accountability necessary to educate our people and develop our economic potential.

We have made a good beginning with the Education Standards in 1983, the Economic Development Program of 1985, and a series of other initiatives in education, health, economic development, roads, and infrastructure. But there is still so much to do. We still have serious deficits in education, in human development, in economic development.

We cannot close these deficits within the existing state revenue structure. We will have to raise more taxes to doit. I think we should do so, while making sure the money will be rigorously targeted and its recipients held strictly accountable.

Some have suggested we can do what we need to do within existing revenues with better management, because revenues have grown over $1 billion in the past decade. Here are the facts: Adjusted for inflation, real growth in state revenues is about 25 per cent in the last decade. All the growth money has gone to schools, roads, and prisons. Two-thirds of all new state employees hired in the 1980's work for the prison system. The rest of state government has grown less than the population of Arkansas, in spite of the fact that the aging of our population, plus increasing poverty, has increased state employee work load substantially.

Others have said taxes are too high. In 1987, we were next to last in state and local tax collections per person. Only six states took a smaller percentage of their citizens' income for state and local taxes than Arkansas. We can increase our investment in our people and our economy if we do it fairly. We do need tax reform because taxes are too high on lower income Arkansans. We are in the top 10 states in the percentage of our revenues we get from the lowest 20 per cent of our taxpayers.

In deciding whether you will support this program and raising the money to pay for it, I hope you will ask yourself three questions:

1. Is the <u>key</u> to Arkansas' future its investment in people and economic development?

2. If we, in Arkansas, don't make the investment, will the federal government or someone else do it for us?

3. If no one else will pay for our progress, don't we have to increase our tax effort at least to equal the average effort other Americans are making?

The choice before us is clear: Either we will adopt a new development strategy for Arkansas based on investing in our people and our economic potential or we won't. Other states are moving ahead. If we don't, our economic future will almost certainly be more of what we have seen in the last decade: too much unemployment, wages too depressed, too many young people leaving the Land of Opportunity in search of opportunity. If we do, we can still give ourselves the jobs and the incomes we deserve by the year 2000.

For the next 3 months, leading up to the legislative session in January, I will be stumping the state in support of this plan, meeting with as many citizens as possible. I hope you will give these proposals serious thought. I hope you will discuss them with your legislators and that you will contact my office with any questions or comments you have.

I hope you will support this program. We need it. The future of our state depends on it. Can we do it? Yes, we can. Whether we do it is up to you.

Bill Clinton

Governor
October 1988

TABLE OF CONTENTS

	PAGE
INTRODUCTION	i
I. INVESTING IN EDUCATION	1
A. PUBLIC EDUCATION	1
1. CONTINUING IMPROVEMENT	1
2. CURRENT NEEDS	2
a. TEACHER COMPENSATION	4
(1) SALARIES	4
(2) SALARY SCHEDULE	5
b. PERFORMANCE-BASED PAY	5
c. EXPANDING RESTRUCTURING OF SCHOOLS	6
(1) PLANNING GRANTS	6
(2) IMPLEMENTATION GRANTS	7
(3) ARKANSAS LEADERSHIP ACADEMY	7
(4) RECOGNITION GRANTS	8
d. MINIMUM FOUNDATION FORMULA	8
(1) GROWTH FUNDING	8
(2) MINIMUM MILLAGE	9
(3) MILLAGE CHARGE	9
e. CONSOLIDATION	9
f. PUBLIC SCHOOL CHOICE	10
g. POST-SECONDARY CHOICE	12
3. SPECIAL NEEDS	12
a. ARKANSAS BETTER CHANCE PRESCHOOL FUND	12
b. MANDATORY KINDERGARTEN WITH OPT-OUT PROVISION	14
c. COMPENSATORY EDUCATION	14
4. INCREASING ACCOUNTABILITY	15
a. COMPLIANCE WITH STANDARDS	15
b. SCHOOL REPORT CARD	15
c. EQUITY ASSISTANCE CENTER	16
d. EDUCATIONAL COOPERATIVES	16
e. TEACHER CREDENTIALS	16
B. HIGHER EDUCATION	17
1. INSTITUTIONS OF EXCELLENCE	17
a. FACULTY SALARIES	17
b. CORE CURRICULUM	18
c. ARKANSAS DISTINGUISHED PROFESSORS PROGRAM	18
d. MINORITY FACULTY DEVELOPMENT PROGRAM	18
2. ENHANCING ACCOUNTABILITY AND EFFICIENCY	19
a. EXPANSION OF BOARD OF HIGHER EDUCATION'S AUTHORITY	19
b. CAMPUS MANAGEMENT	19
c. FACULTY EVALUATION	19
d. ATHLETIC DEFICITS	20
e. GRADUATION OF SCHOLARSHIP ATHLETES	20
f. STUDENT RETENTION	20

3. ASSURING ACCESSIBILITY 21
a. THE ARKANSAS OPPORTUNITY INITIATIVE 21
(1) INCREASE FUNDING FOR STUDENT ASSISTANCE GRANTS 21
(2) THE "ARKANSAS OPPORTUNITY" SCHOLARSHIP FUND 22
(3) "ARKANSAS OPPORTUNITY" PARTNERSHIPS 22
b. GOVERNOR'S SCHOLARS 23
c. TUITION PREPAYMENT 24
d. MINORITY TEACHER SCHOLARSHIP 24
e. OFF-CAMPUS INSTRUCTION 25
C. STRENGTHENING VOCATIONAL TRAINING 25
1. VOLUNTARY MERGER OF VO-TECHS AND COMMUNITY COLLEGES 25
2. PERMISSIVE CONVERSION TO COMMUNITY COLLEGE 26
3. EXPANDED ARTICULATION AND INCREASED PORTABILITY 26
4. TECHNICAL INSTITUTES 27
5. CENTERS OF EXCELLENCE 27
6. VOCATIONAL TRAINING NEEDS 27
7. CHILD CARE WORKER TRAINING 27
D. REDUCING ILLITERACY 28
1. INCREASE ADULT EDUCATION FUNDING 28
2. ARKANSAS LITERACY CORPS 31
II. INVESTING IN PEOPLE 33
A. PREVENTIVE HEALTH CARE FOR MOTHERS & INFANTS 34
1. IMMUNIZATIONS 35
2. STANDARD MATERNITY CARE 35
3. SATELLITE CLINICS 35
4. INSURANCE FOR CHILDREN'S PREVENTIVE HEALTH CARE 36
5. HEALTH CARE FOR UNINSURED CHILDREN 36
B. ADOLESCENTS 37
1. HEALTH EDUCATORS 37
2. HEALTH SEMINARS 38
3. CASE MANAGEMENT OF TEEN MOTHERS 38
4. SUBSTANCE ABUSE 38
a. INPATIENT TREATMENT 38
b. OUTPATIENT TREATMENT 39
5. JUVENILE JUSTICE 39
6. JUVENILE DETENTION 39
C. FAMILY PRESERVATION 39
1. CHILD CARE 40
a. FUNDS FOR CHILD CARE SUBSIDY 40
b. GUARANTEED CHILD CARE LOAN FUND .. 40
2. AID TO FAMILIES/WELFARE REFORM 41
3. CHILD SUPPORT REFORM 41
D. OTHER HEALTH CARE ISSUES 42
1. INDIGENT HOSPITAL PATIENTS 42

2. HOUSING AND CARE FOR THE ELDERLY 42
a. HOME HEALTH CARE 42
b. ALTERNATIVE LIVING 43
3. CATASTROPHIC HEALTH AND NURSING HOME REFORMS 43
4. RURAL HOSPITALS 43
5. MENTAL HEALTH 44
E. STATE EMPLOYEES 44
1. SALARY INCREASES 44
2. FLEXIBLE BENEFITS/CHILD CARE 44
F. HOMELESS 44
III. INVESTING IN OUR COMMUNITIES 45
A. ECONOMIC DEVELOPMENT 45
1. INDUSTRIAL GROWTH 47
a. STATE ECONOMIC DEVELOPMENT CAPITAL FUND 47
b. INFRASTRUCTURE 47
(1) ROADS 47
(2) WATER SYSTEMS 47
(3) SEWER SYSTEMS 47
c. ENTERPRISE ZONE PROGRAM 47
d. MINORITY BUSINESS DEVELOPMENT 48
e. EUROPEAN AND ASIAN TRADE AND INVESTMENT PROGRAMS 48
f. STRENGTHEN AIDC RECRUITMENT 48
g. ARKANSAS INDUSTRY TRAINING PROGRAM 49
h. ANTI-TAKEOVER LAWS 49
i. SMALL BUSINESS LOAN PROGRAM 49
j. SMALL BUSINESS INNOVATION RESEARCH 49
2. TECHNOLOGY 50
a. BASIC AND APPLIED RESEARCH 50
b. TECHNOLOGY DEVELOPMENT PROGRAM ... 50
c. TECHNOLOGICAL CENTERS FOR EXCELLENCE 50
d. BUSINESS INCUBATORS 51
3. AGRICULTURE 51
a. AGRI-LOAN MEDIATION 51
b. FAMILY FARM AGRICULTURE DEVELOPMENT 52
4. HERITAGE/PARKS & TOURISM 52
a. PARTNERS FOR LIVABLE PLACES 53
b. DELTA CULTURAL CENTER 53
c. TOURISM ADVERTISING 54
B. ENVIRONMENTAL MATTERS 54
1. QUALITY DRINKING WATER 54
2. INDOOR AIR QUALITY 55
3. HAZARD IDENTIFICATION AND NOTIFICATION. 55
4. WATER POLICY 55
5. GROUNDWATER QUALITY 56
6. SOLID WASTE MANAGEMENT RECYCLING AND LITTER PROGRAM 56

7. LOCATING SOLID WASTE LANDFILLS 56
IV. INVESTING IN STRONG LAW ENFORCEMENT 57
A. PRISONS 57
1. RISK MANAGEMENT 57
2. ALTERNATE PUNISHMENT 58
a. BOOT CAMPS 58
b. ALTERNATIVE SENTENCING 58
c. EXPANDED PROBATIONARY SYSTEM 59
d. WORK RELEASE 59
e. EDUCATION AND DRUG PROGRAM 59
f. NEW BEDS 60
B. STATE POLICE AND CRIME LAB 60
V. TAX REFORM 60
A. REMOVAL OF LOW-INCOME ARKANSANS FROM INCOME TAX ROLLS 62
B. ELIMINATION OF PERSONAL PROPERTY TAX ON HOUSEHOLD GOODS 62
C. CHILD CARE TAX CREDIT 62

I. INVESTING IN EDUCATION

Without vital, high quality education, real economic progress is impossible. Arkansas cannot hope to prepare for the 21st century without it. The public education reforms begun in 1983 acknowledged this reality and much progress has been made, but the task of giving our people the educational opportunities necessary to secure good jobs and raise incomes is just beginning.

A. PUBLIC EDUCATION

1. CONTINUING IMPROVEMENT

Since 1983, the quality of public education in Arkansas has improved dramatically:

* In the 1983-84 school year, only 39 percent of the state's school districts taught physics; only 64 percent taught chemistry; only 45 percent offered any foreign language; and only 52 percent offered any advanced math. Now, all 329 school districts in the state teach these courses.

* In 1983, 10,000 students in Arkansas' schools were enrolled in a foreign language course; In 1987, over 27,000 students were studying a foreign language.

* In 1983, 5,100 Arkansas students were in an advanced math class; in 1987, the number of students studying advanced math had tripled to 15,000.

* The reading scores of third-graders increased by 38 percent from 1983 to 1987, and the scores of sixth-graders on reading tests increased by 50 percent over the same period.

* The math scores of sixth-graders increased by 40 percent between 1983 and 1987.

* The test scores of fourth, seventh and tenth graders on the Metropolitan Achievement Test have improved each year since 1983. Significantly, the scores of those students who had satisfied the new mandatory core curriculum were higher than the scores of those who had not.

* The college-going rate increased from 38 to 44 percent between 1983 and 1987.

These substantial advances are the product of heightened concern and expanded efforts on the part of many, including teachers, parents, community leaders, and taxpayers.

2. CURRENT NEEDS

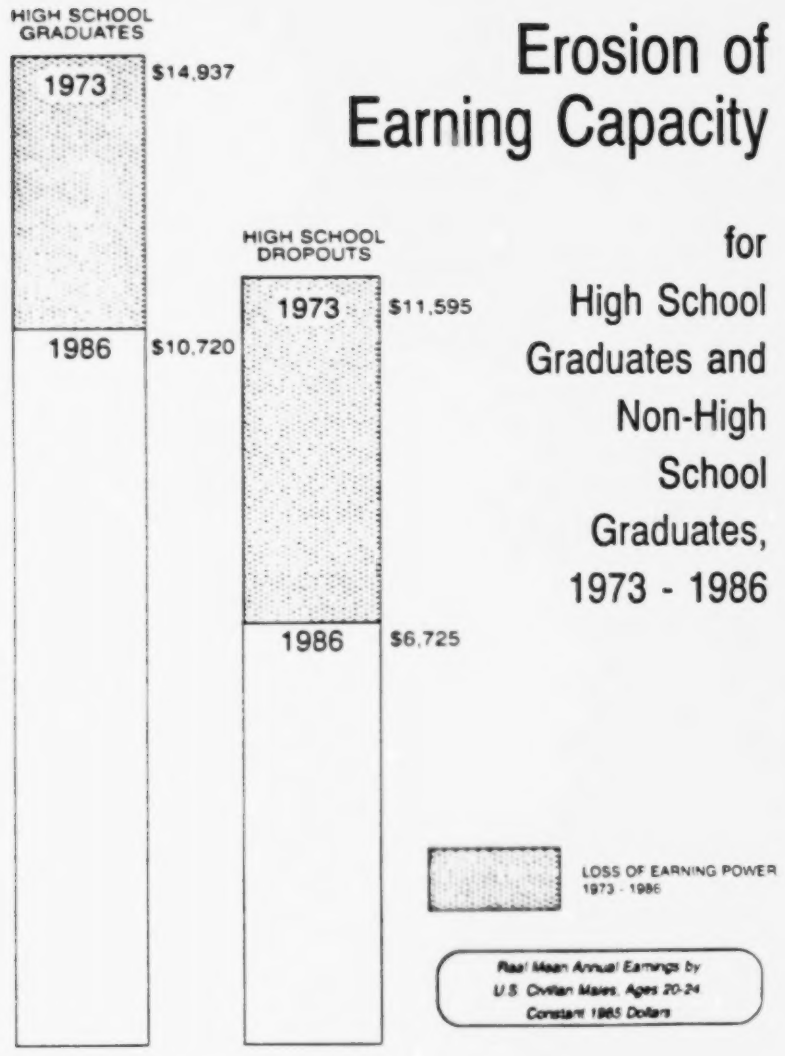
Now a second wave of major reforms is essential to protect our progress and to position us better to compete in the 21st century. The world continues to change rapidly, and Arkansas must keep moving forward or fall behind.

One reason a second educational revolution is essential is erosion of our gains since the first revolution. For example, Arkansas ranked third in increases for teacher salaries in the first two years after the 1983 reforms. However, because of increases by other states, low revenue growth, and the need to hire almost 3,000 new teachers to meet the standards, Arkansas has lost ground and again ranks next to last in teacher salaries.

Further, although Arkansas ranked seventh in the percentage increase of state funds to public education from 1983 to 1987, it ranked only thirty-sixth in increase of local funds. Thus, when state and local funds are combined, the overall increase in public school funding in the last five years was barely above the national average at a time we were making sweeping improvements and imposing new responsibilities on education. In addition, federal funding in the last eight years has been reduced which has especially hurt states already behind. Clearly, the resulting funds are not enough to catch up in teacher pay and continue to increase the quality of education.

State unemployment and income levels are increasingly linked to education and this trend has continued. After a 30-year period in which Arkansans moved toward the national average in per capita income, our state and other Southern states began to fall behind in the 1980's. Our lower percentage of high school and college graduates was the main reason for this decline. A young high school graduate in 1986 earned 28 percent less in real dollar terms than a graduate in 1973. A high school dropout earned 42 percent less than a dropout in 1973. In 1980 a college graduate earned 27 percent more than a high school graduate in the first year of work; by 1987 the college graduate was earning 55 percent more. Clearly, level of education is now a bigger factor than before in determining income in today's international economy.

Of course, money alone is not enough. The state must continue to reform and improve education. In 1983 the sales tax for education was tied directly to new standards and increased accountability in public education and greater economic development efforts in vocational and higher education. The same must be true in 1988. It is important



Erosion of Earning Capacity

for High School Graduates and Non-High School Graduates, 1973 - 1986

that Arkansas be on the leading edge of structural reforms in the education system so the state can receive maximum quality for its level of investment in education. These reforms include restructuring schools to reduce unnecessary bureaucracy and paperwork and to increase the number of decisions made at the school level by principals and teachers working together. These are exactly the kinds of changes many very productive U.S. corporations are making. We should also give parents and students greater choices in the schools they attend, increase the availability of preschool programs to needy four-year-olds, and make better use of our school

facilities to provide before and after school care and summer school offerings. Without reforms to further fund and restructure public education, Arkansans are in danger of losing the gains they have worked for and of missing an opportunity to move ahead in these last years of the 20th century.

a. **TEACHER COMPENSATION:** An effective teacher is the single most important element in the equation that produces a solid education. Arkansas loses excellent teachers every year to better-paying jobs. In addition, many bright young people never consider teaching as a profession because the salaries are too low. Significant steps should be taken immediately to correct this: (1) Teacher salaries must be raised; (2) A uniform minimum teacher salary structure, including minimum starting salary, should be implemented; (3) for districts which have met the minimum requirements, funds should be promised for extra incentives or career development opportunities for good teachers.

(1) Salaries. Arkansas teacher pay now ranks 50th in comparison to salaries paid in all other states and the District of Columbia. Only South Dakota has a lower average salary. Teacher pay in Arkansas rose by more than $3,000 in the first two years after the 1983 reforms. As noted previously, this ranked third nationally in average increases, going from 73 to 83 percent of our national average. As a result of increases in other states, low revenue growth, and almost 3,000 newly hired teachers, however, teacher pay relative to other states has fallen since 1986. By contrast, Mississippi has just voted to raise teacher pay by $3,800 over the next two years.

Our goal should be to raise teacher pay to the Southeastern regional average. In computing our rankings we should consider pay plus other benefits, a measure which would raise our rankings slightly. The Department of Education should also attempt to obtain and publish annually statistics on all states' teacher pay as a percentage of personal income and as adjusted for cost of living differences among the states. The American Federation of Teachers has published such information in the past.

To address this problem, we should provide a $4,000 increase in the statewide average teacher salary over the next two years. This can be achieved with an infusion of $123,000,000 of new state money over the biennium, if the funding is placed into the formula with certain restrictions on how it is allocated by local districts.

Under current law 30 percent of all money from state and local sources may be used for maintenance and operation

of schools. Under this proposal for salary increases, for the next two years between 75 percent and 90 percent of all additional state money would be earmarked for current educators. In addition, from now on state money could be used to pay new administrators only if they are required by the standards.

The percentage designated for salaries would depend upon the existing salary average in the particular school district. The sliding scale requires districts with the lowest salaries to allocate more of all additional funding for pay increases. **COST: $123,000,000 in state money allocated in this way, plus the projected increase of $250 per teacher from local funds in each of the next two years will yield an average $4,000 raise over the biennium.**

(2) Salary Schedule. The legislature should also adopt the minimum starting salary of $16,000 and mandate the 14-year teacher pay schedule recommended by the Teacher Salary Study Commission. The Commission recommends a mandatory one to one-and-one-half pay scale range over a 14-year period. This means that the teacher with 14 years of service would earn 150 percent of the salary paid to beginning teachers at that time. This will move the state in the direction of diminishing the large salary disparity which now exists between districts. In 1986-87, for example, the difference between the highest average salaried district (Pulaski Co. Special) and the lowest (Fourche Valley) was $10,615. Tennessee has established a starting salary of $16,725 for 1989 and $18,500 for 1990. We must do better.

b. **PERFORMANCE-BASED PAY:** The Arkansas Business Council strongly recommended that we develop a performance-based pay system for teachers and identified it as a critical element to their support for raising the revenues necessary for these reforms. The Council called for design and funding of such a system by the 1989-90 school year "on a pilot or statewide basis." After careful review, it appears that the best available mechanism to establish a fair system statewide is one which would use the already approved evaluation system designed by the Teacher Education, Certification and Evaluation Committee. This nineteen member committee includes eight classroom teachers. It is uniquely positioned to reach out to the education community to develop a system that works along the lines of the following proposal.

The Board of Education, in consultation with appropriate education groups, and the Teacher Education, Certification and Evaluation Committee should develop criteria by which exemplary teaching can be identified and rewarded. Each

school district will be required to follow the statewide system only after bringing its teacher pay into compliance with the proposed minimum pay schedule. Consideration should be given to permitting a district, once it is in compliance with the salary schedule, to design its own performance-based system, and apply for approval of it. Special consideration should be given to plans tied to improvement in student performance, the ultimate test of success. Local performance-based pay proposals might also be related to student performance in an entire school and, therefore, might be made available to an entire faculty.

c. **EXPANDING RESTRUCTURING OF SCHOOLS:** A large portion of the Department of Education budget should be directed toward enhancing the efficiency and effectiveness of our schools. The best opportunity to do this is through management practices that free teachers, principals, and other educators from the handicaps of bureaucratic rigidity and professional isolation. The Department should assist schools in developing decentralized decision-making policies which give school personnel more responsibility for determining curricula and student needs. Teachers and administrators should be encouraged to implement creative learning strategies to overcome the barriers to learning many students face and to help students develop higher-level literacy and thinking skills. Springdale High School and Little Rock Central High School have received national acclaim for reorganizing their school day, curriculum, and staffing patterns. The fifteen Arkansas schools participating in the statewide restructured school project have instituted innovative practices such as bringing additional teachers into the classroom to reduce the teacher-pupil ratio for a period of time each day, and encouraging better relationships between schools and disadvantaged parents by coordinating educational services with Vo-tech Single-Parent and Displaced Homemaker programs. After two years of careful planning and execution of pilot programs in several schools in the Restructured Schools Project, it is now necessary to expand the opportunity for school-based leadership and management.

(1) Planning grants. Schools should be invited to apply for one-year planning grants (up to $5,000) to develop plans for comprehensive, school-wide restructuring. They should indicate how the school will change curriculum, instruction, and decision-making practices, and redefine teacher and other staff roles and responsibilities by providing career options. The precise roles to be played will depend upon the nature of each school's restructuring

plan. What is critical is that each school think through and define staff roles as part of its planning process and that staff roles be defined by student and instructional needs. Restructuring schools will require new and enlarged roles for teachers: as mentors for beginning teachers, as leaders in school improvement or curriculum development efforts, as leaders in team teaching arrangements.

As part of the planning process, each school should develop an accountability plan in which it indicates the annual goals it will be working on, the indicators it will use to judge success, and how it will report to the community.

(2) Implementation grants. Schools with acceptable plans should receive implementation grants lasting from three to five years. The grants should be for approximately $30,000 per school per year. The funds will provide for additional staff time and increased responsibilities, paying teachers for expanded career roles and opportunities. Teachers should be given an opportunity to play a role in the important decisions within a school affecting teachers and students without giving up their active interest in classroom instruction. The grant amount is derived from the North Carolina experience with its Lead Teacher Pilot Program. This works out to approximately $30,000 for an average Arkansas school. Legislation should include provisions for gradually reducing the state contribution and requiring the local district to assume part of the burden. **COST OF BOTH: $525,000 in FY90; $825,000 in FY91.**

(3) Arkansas Leadership Academy. There is a range of current policies and practices that will need to be reviewed in order to promote school restructuring. The heart of redefining roles should be a reorientation toward performance rather than procedure. If educators are to provide the type of leadership, they must be offered opportunities for training and development. State law requires training for local school board members, and the standards require that districts plan and provide in-service staff development. In addition, the state has established a principal's assessment center. In further support of the goals of these activities, an Arkansas Leadership Academy should be established to provide a range of high quality professional development activities for all educators.

For teachers, the focus should be on strengthening their subject-matter expertise and their pedagogical skills, as well as preparing them for new and enlarged roles as leaders in schools. For superintendents, principals, school board members, State Department staff, and State Board members, the focus should be on appropriate management practices which

allow schools to become the center of decision-making and change. As the state, districts, and schools sort out which responsibilities and authority can be reassigned or shared, there must be continued opportunities for interaction among these groups. **COST: $325,000 annually.**

(4) Recognition grants. Another way to provide meaningful recognition, professional development, and growth opportunities for teachers is to expand the teacher recognition grants program. The current teacher recognition awards provide approximately 20-30 awards per year. It should be expanded to support 75-100 teacher grants per year. In addition, we should consider sponsoring a conference for grant recipients which could provide additional recognition and professional development. **COST: $60,000 annually.**

d. **MINIMUM FOUNDATION FORMULA:** Three changes must be made to the formula which the state uses to determine the amount of money which each school district receives from the state.

(1) Growth funding. The issue of growth funding primarily affects school districts experiencing increases in student enrollment. Under the current formula a district receives funding based upon its student enrollment in the previous year. Thus, it is always forced to operate on money sufficient for last year's enrollment, even though this year's student population may be significantly larger. Delayed funding is obviously not a problem where a district's number of students is static. Hardship results when, in order to comply with the state's standards regarding maximum class size, a growing district faces increased costs and must hire more staff but has to wait a year to receive additional state funding.

This proposed revision in the formula is also important to a handful of districts which provide education for handicapped students in residential facilities. The handicapped child's particular needs must be met by the district immediately, but the state subsidy for accommodating those needs will not arrive for another year. Often, by the time the funding actually arrives, the child has moved back home or to another residential facility.

It should be kept in mind that districts with declining enrollment will feel the financial consequences of their decline sooner once growth funding is implemented. But the truth is that these districts are receiving money for students who are no longer in their schools. As a practical matter, and, to minimize these shocks, growth funding should be phased in with a one year hold harmless provision included in the legislation.

(2) Minimum Millage. The minimum millage requirement in the formula is designed to assure at least a minimal level of local financial support for the schools. The current minimum millage required is 16 mills. The minimum millage in the formula should be raised to 19. A local tax millage of less than 19 mills makes meeting the standards extremely difficult and indicates a lack of voter willingness in the district to support quality local schools. Districts which have made a strong commitment to local educational needs should not be required to subsidize other citizens' indifference to public education.

(3) Millage Charge. The millage charge enables the state to equalize minimum foundation program funds. It is a critical element of the formula. The charge is essentially the amount which the state assumes has been raised locally. The state then adds to this charge an amount sufficient to reach a base rate of per pupil expenditure. When the current charge of 19 was established, many school districts had much lower millages. Since 1983, however, there have been 385 millage increases and the state average is now 26 mills. Thus many districts are taxing themselves at a level above what the state assumes in computing its contribution to reach an equitable per pupil rate. The effect of this discrepancy is that some districts are generating funds to be spent on their children, and the formula is not accounting for these expenditures. Under the constitution, the formula must assure that all students have roughly the same amount spent on their education. Failure to account for these expenditures skews the equalization rates. The charge should be moved up 1 mill for every $25,000,000 of additional money funded through the formula in 1989.

e. **CONSOLIDATION:** Since 1983, the number of school districts has declined from 365 to 329, as several school districts decided to merge to meet the standards, improve the quality of education, and take advantages of the consolidation incentives. Still Arkansas has by far the largest number of school districts in the South. Georgia, which has the second highest number of districts, only has 187, compared to Arkansas' 329, but Georgia has nearly 2 1/2 times more people than Arkansas. Consequently, Arkansas has higher administrative and teacher costs per student in the very small districts.

In addition, Arkansas has 2,192 school administrators in its 329 school districts. They earn an average salary of $32,935. The administrator/student ratio in Arkansas is 1:200, compared to a national ratio of 1:288.

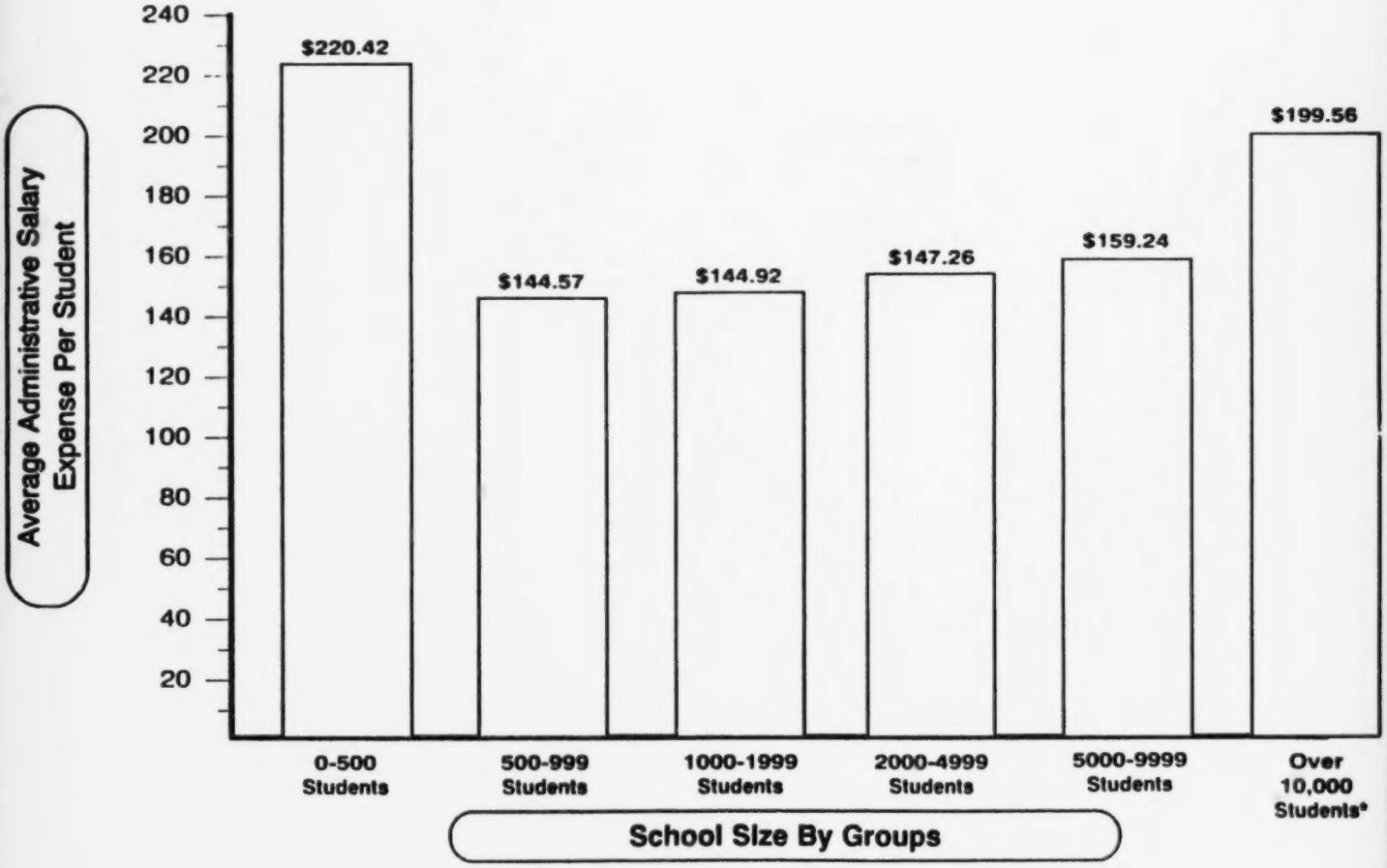
Approximately 100 school districts in the state are having problems meeting the standards and must consider the possibility of merger. To encourage and facilitate this potential consolidation, the legislature should extend for another two years the financial incentives offered to schools which consolidate.

Number of School Districts In Other Southern States

STATE	Number of District	Total Number Students	Average Number Students Per District
Louisiana	66	795,188	12,048
Alabama	130	733,735	5,644
Tennessee	141	818,073	5,802
Mississippi	154	498,639	3,238
Georgia	187	1,096,425	5,863
ARKANSAS	**329**	**437,438**	**1,330**

f. **PUBLIC SCHOOL CHOICE:** Most states, like Arkansas, have generally assumed that a child should attend school in the district where the family lives. Underlying this is the

Arkansas Schools' Administrative Expenses By School Size



* Only 3 districts are in this category: Little Rock, Pulaski Co., and Ft. Smith.

assumption that all public schools are of roughly the same quality. But the heightened interest in public education has exposed this myth. Why should parents and their children not be free to choose their schools just as they choose other services -- on the basis of overall quality or particular strength? Provided that the state funding follows the student and assuming that every precaution is taken to avoid any segregative effects, granting such freedom to K-12 students and their parents is the most efficient way to reward and recognize schools offering top quality programs.

Minnesota has pioneered this simple idea into an open choice law which will permit, by 1990, any student to apply to any school district in the state where the school board has voted to accept nonresident students. Although a school district may elect not to admit any students, it does not have the authority to prevent a resident student from transferring, unless that student's departure would adversely affect the resident school's compliance with a desegregation plan. Arkansas should adopt a plan with appropriate modifications to preclude any abuse of the choice system for racially motivated reasons. In particular, the legislature should enact a voluntary option plan with the following features:

1. Subject to restrictions in the law, any pupil in the state may transfer to any participating district which admits the student.

2. A school is free to determine that no nonresident students will be accepted, but may not prevent its own students from transferring, unless the transfer is prohibited by the law or a court order.

3. A participating school must adopt a written policy for accepting and rejecting the applications of nonresident students. These policies may include the capacity of a program or building but no admission or rejection may be based upon the student's previous academic achievement, athletic ability, mental or physical handicaps.

4. The student shall be responsible for transportation to the nonresident district's border; from there the nonresident district must assume the cost of transportation.

5. The nonresident district must recognize credits toward graduation which have been recognized by another district.

6. The state funding for a particular student shall be assigned to the district that student attends if other than his resident district.

7. No student may transfer to a district where the percentage of enrollment for his race exceeds that of his resident district.

8. In any instance where the choice statute conflicts with a desegregation order, the terms of the order shall govern.

g. **POST-SECONDARY CHOICE:** As a supplemental component of the school choice plan, the state should require that all high school juniors and seniors be given the option of attending, for high school and post-secondary credit, college, community college, or vocational school courses. Participating students would still be expected to meet the state required core curriculum and to satisfy the graduation requirements of the resident high school. But these requirements could be met through careful course selection at the post-secondary institution. The post-secondary school must decide whether a student is admitted, and the resident high school must grant the amount of credit earned, according to previously determined equivalency guidelines. If that student enrolls in the same post-secondary institution after graduating from high school, the credits may be applied toward his post-secondary requirements. But in the event that the student opts to take courses for post-secondary credit initially, the student is responsible for all costs. The student, however, may also request high school credit from the high school. The state benefits since many students who are not performing well in their traditional high school settings will have an opportunity for a fresh start. In Minnesota mediocre and poor high school students who chose to attend a post-secondary school improved their performance in the new environment. Moreover, hundreds of Minnesota dropouts have returned to school through this program by enrolling at a post-secondary institution. And in response to the competition from post-secondary campuses, many public schools in Minnesota have expanded or developed better alternative schools and other similar programs aimed at keeping students, and their funding, in the district.

3. SPECIAL NEEDS

a. **ARKANSAS BETTER CHANCE PRESCHOOL FUND:** Failure to identify educationally disadvantaged children and provide them with the opportunity to enhance their learning skills perpetuates the poverty cycle. Without some assistance, the parents of these children too often lack the understanding and the self-esteem to guide their children onto the path to subsequent achievement. Thus deprived, these children start school at a disadvantage, quickly fall behind their peers,

and may ultimately cease to care at all about school or their futures.

A quality preschool program, like Head Start, High Scope, or the Home Instruction Program for Preschool Youngsters (HIPPY) can break this costly cycle by equipping these children to learn and by improving their attitudes toward schooling -- and often the attitudes of their parents as well. Arkansas has a number of successful preschool programs, which have a marked impact on a child's willingness and ability to learn when the student gets into the school system. Head Start's national successes are well-documented, but Head Start reaches only 22 percent of the eligible four-year-olds in Arkansas.

In one school district which has a HIPPY program, testing revealed a 33-month average gain in the skill level of the students who had participated in the program after 16 months. In that same district, participating four-year-olds' evaluations jumped from only 6 percent who tested at an average level in 1986 to 74 percent at or above that level by 1988.

This kind of achievement must be made available for more children, and the areas most sorely in need of these programs must be targeted. Current funding for creative and productive preschool projects is limited, dependent in large part upon JTPA federal grants. The demonstrated successes of programs like HIPPY and Head Start warrant an investment of state resources. This is an investment which provides a hefty return, since for every dollar spent in preschool, $6 are saved. Funding should be provided for a grant program to be used for the expansion and/or development of preschool programs through Head Start programs, HIPPY programs, and other similar programs initiated by school districts or community organizations around the state. And to assure that the funds are spent in the areas of the state where they will have the most impact, Arkansas should adopt a model for identifying four-year-olds at risk of school failure. South Carolina identifies the areas where four-year-olds are likely to need its preschool program with a state test of all first-graders. In any area having a high first-grade failure rate, the state assumes that the four-year-olds in that area have a greater need for preschool development. South Carolina targets approximately 20 percent of its four-year-olds, which is a good approximation of the number in Arkansas who will be identified. That would mean that approximately 8,000 children would be served.

Arkansas should also give a priority to awarding funds from the Arkansas Better Chance (ABC) Fund to applicants from

areas with a high number of at-risk four-year-olds. **COST: $2,500,000 FY90; $7,500,000 FY91.**

b. **MANDATORY KINDERGARTEN WITH OPT-OUT PROVISION:** The legislature should require that every five-year-old attend a public, private, parochial or home school kindergarten unless the parent files a signed kindergarten waiver with the local school district. This system has worked well in South Carolina to protect the rights of parents who for religious or philosophical reasons do not want their children in kindergarten while knowing that those who need most to be in kindergarten are required to enroll.

c. **COMPENSATORY EDUCATION:** For sound educational as well as legal reasons, the state needs to do more to help its traditionally disadvantaged students succeed in school. However, the evidence shows that those states which have placed a factor in the Minimum Foundation Program Aid for the compensation of disadvantaged and/or at-risk children have achieved only moderate results. The targeted students generally do better than comparable students who are not participating in a compensatory program, but are not appreciably improving when measured against all students. Therefore, instead of building a compensatory education component into the formula, some funds should be set aside for the Department of Education to finance innovative compensatory education programs. This programmatic approach will cost less and permit greater supervision of the funds thus enhancing effectiveness and accountability.

There are several programs currently in operation throughout the country and in Arkansas which fit the appropriate definition for compensatory education. One is the Cities in Schools approach which coordinates social service and private nonprofit agencies with education systems and businesses within a community to focus services on at-risk youth. Through this management model, students are provided academic and emotional support within the school setting, and the entire community develops a stronger sense of responsibility for the welfare of students who might otherwise have been pushed out of the educational system.

Another program of compensatory education is the reading program in New Orleans, sponsored by the Southern Coalition for Education. This program for low-income minorities in grades five through seven, which began as a five-week summer program and has now become a part of the regular curriculum, enhances appreciation of reading, as well as building reading skills. The program includes long, uninterrupted blocks of time for instruction and a basis of high expectation on the parts of teachers, aids and students.

An innovative math instruction program piloted with central Arkansas students has shown remarkable success among populations which have historically performed poorly in the area of mathematics; i.e., female, minority, and handicapped students. The program operates at both the elementary and secondary levels and involves the use of enrichment activities in problem solving and computer programming. Microcomputers allow students to progress at their own pace through the programs.

Other examples include expanded summer school and before- and after-school programs, peer tutoring, which creates instructional groups with only two students and capitalizes on rather than eliminates variations in student achievement and ability levels, and various innovative approaches to reading instruction using computers and student compositions. **COST: $7,000,000 for FY90; $8,000,000 for FY91 for grades 5, 6, 8, and 9.**

4. INCREASING ACCOUNTABILITY

a. **COMPLIANCE WITH STANDARDS:** The State Board of Education and the Arkansas Department of Education must continue to monitor carefully compliance with the standards. To accomplish this task, the Department of Education must have adequate staff and must deploy those staff in a way which ensures a high level of compliance with the spirit, as well as the letter of the standards. The Department must apply a more comprehensive monitoring system which allows a team of supervisors to oversee various components of the school system, including special education and educational planning for adequacy. Also the Board should periodically review curriculum requirements.

b. **SCHOOL REPORT CARD:** The people of the state have every right to know the results of the money being spent on education in Arkansas. Unfortunately, reliable, incisive, and useful information regarding school performance around the state is not currently available. To develop a system that will produce useful information will require different data which must be analyzed differently. This task has proved difficult not only for our state but for others. The Arkansas Department of Education should work in conjunction with the Special Legislative Oversight Subcommittee on Education Reform to establish and provide resources for an Office of Accountability within the Department of Education to begin to achieve this goal.

The primary purpose of this office will be to gather and compile information for a "School Report Card" for every school in the state, based on a set of performance indicators, such as dropout rates, attendance rates, test

scores, college attendance and graduation rates, common demographic and social characteristics, and others.

The Office of Accountability will distribute the report card every year in various forms that are easily understood so that school performance can be measured from year to year and schools of comparable student populations and local resources might ultimately be compared, further clarifying the gains made in public education. **COST: $438,051 in FY90, $445,735 in FY91.**

c. **EQUITY ASSISTANCE CENTER:** To assure comprehensive educational opportunities for Arkansas students in accordance with Education Standard XV, schools must reflect full commitment to educational equity for all students. Monitoring procedures in local district and regional educational cooperatives must be strengthened and technical assistance provided to help districts assure these equitable educational opportunities.

d. **EDUCATIONAL COOPERATIVES:** The regional educational cooperatives sponsor teacher training workshops and provide technical assistance for member school districts in meeting standards and improving efficiency. The state lacks the ability to influence the policy priorities of or even to monitor the hiring practices of the coops though it provides much of their funding. A large amount of state money and a considerable number of employees are tied up in the cooperatives. Many are doing excellent work, but the state needs a tighter mechanism for evaluating the successes and failures of the coops, requiring accountability, and providing the capacity to channel state resources to state priorities if they are being neglected.

e. **TEACHER CREDENTIALS:** In 1971 the Board of Education delegated its responsibility for certification of teachers to the colleges and universities who offer degrees in education. That decision created significant disparities when colleges used inconsistent requirements and standards. To assure fairness and quality, the State Board of Education should resume the role of establishing credentials for certification. To help pay for this, the legislature should authorize the board to charge a small fee for the issuance or renewal of a certificate. A fee of $40 for a new six-year certificate would only amount to a $6.67 annual charge. The fee for recertification and additional certification should be only $20 since these processes involve less work. **COST: $170,000 FY90; $180,000 FY91.** If the 40/20 fee structure were authorized, approximately $180,000 a year would be generated by the fees paid for the 1,500 new certificates, and 6,000 additional renewals issued every year.

B. Higher Education

1. INSTITUTIONS OF EXCELLENCE

Arkansas must provide educational excellence at home to assure responsible leadership for the state's future, sharpen the mental resources of its people in a rapidly changing and technologically advancing world, and act as a magnet to draw research and industry pioneers and resources to the state. Perhaps above all, Arkansas must encourage more of its bright young persons to stay in the state for their post-secondary educations and, ultimately, to reside in Arkansas and contribute to its growth.

There are short-term as well as long-term benefits from increasing the college-going rates and from greater and more precisely targeted investments in colleges and universities. Arkansas already benefits from many of the higher education investments made in the 1983 Legislative Session. These investments resulted in greater partnerships with the business community and in activities which directly lead to increases in a number of good jobs in Arkansas. It is vital that we continue and increase these advances.

There is a very close correlation between a state's unemployment rate and income level and its percentage of citizens with four-year college degrees. Of the ten states having unemployment rates below five percent in 1986, all but two had a higher percentage of population completing college than the U.S. average, according to U.S. census data. Higher education has always been an economic asset, but it is more important for Arkansas' and America's well-being than ever before. Our competitors in Europe and Japan have about two years more learning when they come out of high school than our American students do because of these nations' longer school years and their more rigorous curricula.

Although the college-going rate in Arkansas has gone from 38 percent to 44 percent over the last six years, it is still well below the national average of 55 percent. It must rise to at least the national average for the state to be more competitive economically. Again, while more money is important, money is not enough. The state also needs new measures to insure greater accountability, quality, and effectiveness.

a. **FACULTY SALARIES:** Arkansas' colleges and universities will not be able to recruit and retain the kind of faculty necessary to build fine institutions until the pay scale is healthier. In 1987-1988, the average faculty salary at Arkansas state schools was $30,231, compared to the $33,268 average of all southeastern states. Arkansas must

At the same time, the state must strengthen its existing adult education program. Among Southern states, Arkansas has the second highest total spending level for literacy and adult education. As a result of increases in 1983 and 1987, the number of people enrolled in adult ed programs has almost tripled since 1983. Yet there are still only about 30,000 Arkansans involved in any kind of literacy enhancement programs. The Commission on Adult Literacy has concluded that this number must rise to 100,000 "to have an impact on the economic and educational potential of the state." We must increase funding for adult education in order to expand our services to reach more people.

To reach this goal, the state must expand workplace literacy auditing and training in addition to targeting those people in prisons and welfare programs. Although exact numbers are unknown, many Arkansans are employed but still in need of literacy improvement in order to remain employable. The State Chamber of Commerce and other employee organizations should be encouraged to conduct literacy audits of their workplaces and to support their employees in taking advantage of available programs.

Moreover, every effort should be made to see that child care and transportation are available at adult education centers, because these major barriers prevent individuals from participating in literacy and adult ed programs. The state efforts in this area must be coordinated with local literacy councils so that services reach all those who need help.

Finally, the Vocational and Technical Education Division should, in accordance with the Commission on Adult Literacy's recommendations, develop a comprehensive program to expand the public's awareness of the literacy problem and, more importantly, make information about literacy training programs more accessible to persons who need these services. These initiatives will require substantial investment to reach our goal of serving 100,000 adults within five years. **COST: $4,000,000 FY90; $9,000,000 FY91.**

2. ARKANSAS LITERACY CORPS

One promising method of addressing the need for literacy tutors is the Arkansas Literacy Corps. This new program would provide a work study program for college students who want to tutor illiterate adults for pay. Under the proposed plan, students would first be trained by the Literacy Council or Adult Education instructors on the proper literacy teaching methods. The students could then earn $5 an hour for as many as 6 hours a week of tutoring. The programs would be supervised by the Department of Higher Education and

therefore raise the level of pay for college and university faculty members to at least the average paid by other states in the southeast region. To attract the kind of professors that will enable Arkansas institutions of higher education to gain recognition as centers of teaching and researching excellence, a two-year, phased-in pay hike for full-time professors on state campuses should be begun. **COST: $34,500,000 over two years.**

b. **CORE CURRICULUM:** The Board of Higher Education should be given the authority to require adoption of a minimum general education curriculum at all public campuses in the state system. Course credit would be fully transferable from one campus to another, and successful completion of all courses in the general education curriculum would be a prerequisite for every bachelor's degree program. Development of this transferable core curriculum by the campuses would assure that every student is exposed to the essentials of a general liberal arts education and would reduce the frequent frustrations encountered by students seeking to transport course credits from one school to another within the system. Both the Arkansas Business Council and the Committee on Higher Education proposed this action.

c. **ARKANSAS DISTINGUISHED PROFESSORS PROGRAM:** The quickest way for the state to move effectively toward establishing nationally attractive campuses is to attract a core of renowned academicians to the state's universities. This can be done through the endowment of academic chairs. Following the recommendations of the Carnegie Report, the Southern Regional Education Board, and the Arkansas Business Council, the state should commit to the creation of two endowed chairs each year for the next ten years. The legislature should appropriate funds for two chairs in each year of the biennium, with a provision that institutions applying for the funds could raise matching private monies and receive priority for doing so, so that more than four chairs might be endowed during the biennium. **COST: $4,000,000 during the biennium.**

d. **MINORITY FACULTY DEVELOPMENT PROGRAM:** The number of minority faculty members at Arkansas campuses needs to increase. One existing program, which encourages junior minority faculty members to pursue advanced degrees, makes it possible for more minority faculty members to assume full professorships and leadership roles in campus administration. This Minority Faculty Development Program has been funded at a very limited level. As a consequence, only a few instructors have been able to take advantage of it. Because the quality of higher education institutions in Arkansas will be improved by the strengthening of the minority faculty, the

funding for this program should be increased. Strengthening the role of minority faculty will have the secondary benefit of helping more minority high school graduates feel connected to state campuses and motivating them to strive to reach them. **COST: $120,000/year.**

2. ENHANCING ACCOUNTABILITY AND EFFICIENCY

a. **EXPANSION OF BOARD OF HIGHER EDUCATION'S AUTHORITY:** With limited resources, the state cannot afford to underwrite mediocre, inadequate, unnecessary, or sub-par programs. It cannot persist in funding degree programs that are duplicative and wasteful. Money wasted on poor and/or underutilized degree programs could be better spent in strengthening other, more critical programs. Both the Committee on Higher Education and the Business Council have recommended that the Board of Higher Education be given the power to review existing programs periodically and, where appropriate, recommend termination. Once the Board has made such a recommendation, the legislature must specifically approve any further expenditure of general revenues on the program. Without such approval, the program would be terminated.

b. **CAMPUS MANAGEMENT:** Although the Board of Higher Education needs authority to coordinate the broad scope of higher education in the state, each institution should have greater autonomy than it now has in hiring and procuring. Accountability to the state does not mean that the campus should be obligated to obtain approval before contracting for services, recruiting a noted professor, or awarding a particular grant. Most importantly, the campus presidents and chancellors must have more latitude to negotiate when they are seeking to fill faculty and administrative positions with highly sought-after personnel. The legislature should provide greater flexibility by permitting campuses to negotiate more freely to hire and retain leading scholars and teachers. Similarly, prior legislative review should not be required for research and training grants which add to the prestige and vitality of the campus or community, or for contracts for services related to patents, copyrights, and trademarks. Legislative oversight can be protected by post-audits of the campus expenditures. The Carnegie Foundation report on higher education in Arkansas endorsed this proposed change in current law.

c. **FACULTY EVALUATION:** In exchange for additional funding and management flexibility, the state should require each campus to have an effective system for the evaluation of the teaching performance of all faculty members. Act 560 of 1977 should be amended to require each campus to submit a performance review system to the Board of Higher Education.

An approved procedure may involve faculty peer review or administrative review. But any approved procedure must state that decisions relating to salary increases, promotions, tenure, and termination shall be based upon annual evaluations.

d. **ATHLETIC DEFICITS:** Arkansas cannot afford to subsidize huge athletic deficits at its state schools. Thus the state should limit the amount of public funds that may be spent on athletics at any institution. Most important, uniform accounting procedures should be required so that all institutions report on the same basis so that they can be treated fairly. This requirement should be mandated by the legislature and promulgated specifically by the State Board of Higher Education. The Board should then set deficit ceilings at each institution either at the $500,000 and $350,000 levels recommended by the Business Council and the Committee on Higher Education unless some other level is indicated by the uniform reports.

e. **GRADUATION OF SCHOLARSHIP ATHLETES:** We also have to address the question of graduation rates for student athletes. Athletic scholarships do more than provide entertainment for students and fans. They give lots of young people from poor backgrounds a chance to go to college and to get degrees. But according to recent news reports, only about 16 percent of the students who attended major Arkansas colleges on athletic scholarships from 1980 to 1984 actually graduated. That's far below the national average of 66 percent. Legislation was recently introduced in Congress that would require colleges to report how many of their athletes graduate. The sponsors include former college and professional athletic stars.

Sports programs are supposed to give young people who are talented in sports an opportunity to attend college and get a degree. Most of them will never play pro ball. They'll never earn those big salaries. It hurts them and it hurts Arkansas when athletes leave without a degree and without the skills college should teach.

f. **STUDENT RETENTION:** Efforts must be made not only to increase the number of Arkansans attending college but also to retain a higher percentage of entering freshmen. In order to evaluate the success of institutions in reducing the college dropout rate, the State Board of Higher Education should collect and publish data annually from each public institution of higher education which reflects dropout, retention, and graduation rates.

3. ASSURING ACCESSIBILITY

Since the Standards were adopted in 1983, the percentage of Arkansas high school graduates going on to college has risen from 38 percent to 44 percent. This is a fine achievement, but our state's college-going rate is still well below the national average of 55 percent. To get closer to the national norm, Arkansas must strive to eliminate both financial and attitudinal barriers to college. At the same time it must raise the quality of its institutions of higher education. This legislative package contains some carefully selected initiatives designed to increase college-going rates among targeted populations, ease the burden of college costs borne by parents, and induce our most talented students to attend college in Arkansas.

a. **THE ARKANSAS OPPORTUNITY INITIATIVE:** Arkansas must make a dramatic effort to make post-secondary education more accessible to lower- and middle-income students. Accessibility is a problem of both finances and attitude. For many lower-income secondary school students, the availability of money to meet the costs of post-secondary education is a limiting factor; for others it is a matter of not understanding the long-range benefits of higher education or of not having adequate support to negotiate successfully a variety of barriers. A three-part initiative will combat these problem, and help significantly increase both the rate at which at-risk students graduate from high school and the rate at which they and others matriculate at our institutions of post-secondary education. This initiative involves new public/private partnerships and borrows heavily from the successful "I Have a Dream" program pioneered by New York businessman Eugene Lang who recently addressed the Arkansas House of Representatives.

(1) Increase Funding for Student Assistance Grants. The state must make a massive increase in its effort to provide financial aid to economically limited students. For the current academic year 10,473 students were awarded state funds through the basic Student Assistance Grants (SAG's). However, over 27,600 students applied for these grants. Most of them demonstrated financial need. For every student whom the SAG helped go to college or vocational-technical school, there were two who were not aided because the program lacked sufficient funds. Arkansas cannot hope to compete economically in the 21st century if these students stay home or drop out of college because they could not finance their education without assuming a frightening debt. Funding of the Student Assistance Grant should be doubled for the next fiscal year. The availability of this new money and the accompanying perception among secondary school students that financial aid can be more readily obtained will have a

substantial impact upon post-secondary education participation rates.

Furthermore, to guard against continuing inflation and to accommodate the projected increase in the percentage of high school students going on to post-secondary schooling, the SAG enabling statute should be amended to provide for a 10 percent increase in SAG funding annually for each of the next ten years, beginning with fiscal year 1991. Before the end of that period, Arkansas should have a college-going rate that matches the national average and the majority of lower-income students interested in attending post-secondary institutions would be afforded the tuition assistance to make it possible. **COST: $3,600,000 FY90; $4,300,000 FY91.**

(2) The "Arkansas Opportunity" Scholarship Fund. Increasing the basic Student Assistance Grant (SAG) will greatly benefit many lower income Arkansans who wish to obtain a post-secondary education. Yet, in order to substantially increase the rate at which lower income and other at-risk students pursue a post-secondary option, the state must take further steps to assure that no student will be dissuaded from attending college due to financial constraints or attitudinal barriers. Arkansas should begin to move toward a day when it can promise at-risk secondary students, as Eugene Lang promised his adopted sixth graders years ago, that if they persevere, graduate from high school, and continue to post-secondary education, the state will insure that they can meet the costs.

As a first step toward such a promise, the state should establish an Arkansas Opportunity Scholarship Fund. This fund would be used to match, on a flexible basis, locally raised scholarship money for at-risk students. Arkansas Opportunity Scholarships will supplement SAG's, PELL grants, and other sources of financial aid to insure that deserving students can meet tuition costs and additional expenses. At least for the duration of the next biennium, eligibility for Arkansas Opportunity Scholarships will be limited to students in school districts which are selected to participate in the Arkansas Opportunity Partnerships Program described below.

(3) "Arkansas Opportunity" Partnerships. Money is not the sole factor in a student's decision to pursue the dream of a post-secondary education. For some students the deciding factor is a lack of understanding of such an education's value. They don't fully appreciate the fact that, in the first year of work, young college graduates earn 55 percent more than high school graduates in 1987. For other students the problem is a lack of encouragement or of a role model. Finally, for some students it is an inability to cope with barriers: contending with a substance abuse

problem, dealing with a troubled family, or finding a job. In order to help more students set high goals for themselves and to allow them to see beyond their daily problems to a distant goal of post-secondary education, the state must encourage school counselors, local community groups, business leaders, local offices of state agencies, and institutions of higher education to work together to bolster support mechanisms, keep students in school, and positively affect their attitudes about the importance of a post-secondary education.

The legislature should create a competitive grant program, to be administered by the Department of Education, to fortify local efforts at keeping at-risk students in school and on a post-secondary education track. Grants would be awarded on the basis of the applying school's ability to demonstrate community support and cooperation between local leadership groups and service providers, on the quality of its strategy to involve volunteers, and on the strength of its plan to direct at-risk students toward post-secondary education. One indicator of community support will be a match provided by the school and community; this match will serve as evidence that any program established with the help of the state grant will be sustained beyond the termination of the one-year grant period. Grants may be used to establish after-school tutoring programs, summer and weekend enrichment programs, school-based substance abuse counseling, and job-search assistance, and activities designed to focus at-risk students on post-secondary education, such as financial aid workshops and field trips to institutions of higher education.

The use of private citizens as mentors for individual students, as well as intensive personal and academic counseling, must be an integral part of any local program, as these strategies have proven remarkably successful in Lang's program.

In many communities, Arkansas Opportunity Scholarships will supplement already existing programs which raise scholarship funds from local sources. In the next biennium we should extend incentives to encourage every community to follow the example of the many Arkansas communities like Siloam Springs, Russellville, and Mountain Home, which raise substantial sums of money from private benefactors to fund scholarships for local high school graduates. **COST: Arkansas Opportunity Scholarship Fund, $50,000 FY90, $100,000 FY91; Arkansas Opportunity Partnerships, $300,000 FY90, $400,000 FY91.**

b. **GOVERNOR'S SCHOLARS:** In 1988, 950 Arkansas high school seniors applied for the 100 available Governor's

Scholars grants. And there were surely others who did not apply because the amount of the scholarship, $2,000, is no longer sufficiently competitive with the awards that some institutions out of state are offering. In order to encourage more of the state's top high school graduates to remain in the state for college, the number of Governor's Scholars should increase by 50 over the biennium, the award should be raised from $2,000 to $4,000. **COST: $1,755,000 FY90; $1,955,000 FY91.**

c. **TUITION PREPAYMENT:** Several states have recently enacted programs which permit parents of young children to invest for the future education needs of their children. A review of the three approaches used suggests that the most responsible program is a bond issue. Unlike the other options, it entails no financial risk to the state and offers sufficient benefits to parents. Another particular attraction is that it also generates funds that may be used in the near term to meet capital restoration needs on the campuses.

Under this proposal the state would issue $75,000,000 worth of zero coupon college bonds, to be called Tuition Savings Bonds. These could be sold through banks to parents in small, affordable denominations. The bonds would have to be discounted substantially since there would be no coupons or payments until maturity. For example, a $5,000 bond which would mature in 20 years would sell for about $1,130. Nevertheless, the issue would still generate some much needed capital that could be used to bolster deteriorating libraries and laboratories across the system. At the same time it would encourage parents to save for their children's educational expenses. **COST: $7,500,000 annually beginning in FY92.** Because general revenues would have to be dedicated to the debt issue, a statewide referendum would be required. To avoid the additional costs associated with a special election, this referendum could not occur until the general election of 1990.

d. **MINORITY TEACHER SCHOLARSHIP:** As the Commission on the Recruitment of Minorities into the Education Profession has stated, the number of black students entering the teaching profession is dwindling, both nationally and in the state. This makes it more difficult for schools to hire qualified black teachers and administrators and reduces the opportunity for black children to observe role models in school. To encourage more black Arkansans to attend college and to prepare for teaching careers, the state should provide a program of financial assistance for entering freshmen and for college juniors who have been admitted to teacher training programs. The competitive program would provide 150 two-year grants ($1,000 per year) to entering freshmen who

are committed to becoming teachers. The second phase of the program would provide 100 two-year awards ($3,000 per year) to college juniors who are accepted in a teacher training program. Recipients would be required to complete five years of teaching in Arkansas public schools or to repay the awards on a pro rata basis based on the number of years, if any, taught in an Arkansas public school. **Cost: $600,000 FY90; $1,200,000 FY91.**

e. **OFF-CAMPUS INSTRUCTION:** In order to provide greater accessibility to higher education for Arkansans, the State Board of Higher Education should incorporate into the higher education funding formula a factor which would encourage institutions to teach courses, particularly freshman and sophomore basic courses, at off-campus sites including vocational technical schools and public school facilities. This factor should be incorporated into the formula for the 1991-1993 biennium. For the 1989-1991 biennium, the State Board of Higher Education should be provided some additional funding to allocate to institutions of higher education which propose to provide off-campus instruction to serve needs that are not currently being met because of the present requirement that off-campus instruction be self-supporting. **COST: $500,000 FY90; $500,000 FY91.**

C. STRENGTHENING VOCATIONAL TRAINING

The number and flexibility of really good vocational and technical programs in the state should be increased. When it comes to job skills, learning is no longer the province of youth. The average 18-year-old will change jobs seven or eight times in a lifetime. Accordingly, Arkansas must construct a program for vocational and adult education that will serve people over their entire lifetimes.

1. VOLUNTARY MERGER OF VO-TECHS AND COMMUNITY COLLEGES

In four counties around the state there are vo-tech and community college campuses which are close enough that merger would be feasible. The people in these four counties should have the option of merging their two schools for the sake of efficiency and curriculum enhancement. Accordingly, the state should mandate local option elections in Garland, Boone, St. Francis, and Mississippi Counties on the question of merging the community colleges and vocational schools in each of these counties.

To facilitate this possibility, the state should establish financial incentives for any vo-tech school which chooses to merge with a community college to create an institution like Westark Community College at Fort Smith or

Rich Mountain Community College in Mena, both of which are good models for effective job training and academic programs. Incentives the state could offer would include permission to participate in the state's deferred maintenance program.

2. PERMISSIVE CONVERSION TO COMMUNITY COLLEGE

Given their locations, it is not geographically practical for most vo-techs to merge with an existing community college. Some of these vo-techs, however, should be allowed to elect to convert to a community college, thus offering both vocational and academic courses, provided the local county is willing to support such a conversion. The state should facilitate voluntary conversion by granting the state's property interest in the vo-tech facility to the prospective community college board. As a condition of the state's transferring its property interest in the vo-tech to the local board which would administer the newly created community college, the county voters would have to approve a minimum tax support for the college.

The State Board of Education should conduct a study and make recommendations regarding which vo-tech schools are most likely to successfully convert to community colleges.

It has been suggested that state administration of vocational education in secondary schools and post-secondary schools be split. However, because of possible organizational and operating difficulties, that recommendation should be given further study before action is taken. In addition, the time lapse required for appropriate study will provide further opportunity to examine the effects of the more limited changes proposed above.

3. EXPANDED ARTICULATION AND INCREASED PORTABILITY

Only 17% of Arkansas' college students are in two-year schools, compared to the national average of 43%. Therefore, the state must do more to encourage students who are not going to college to enroll in a technical or associate degree program. If they choose a vocational school, that institution must prepare them for jobs and also make it possible for them to move to four-year programs if they choose. This requires more definitive, mandated articulation agreements between the technical schools, the community colleges, and the four-year institutions.

With this goal, the state should mandate that the Boards of Higher Education and Vocational Education meet to produce a feasible, comprehensive articulation agreement for vo-techs and other post-secondary institutions. The critical first step in this process would be for the vo-techs to continue to

establish a uniform content among courses taught in the system. They could then recommend those courses for acceptance by the Board of Higher Education as portable for credit at either a community college or a four-year school. A greater similarity in quality of offerings would help overcome the problem of restrictive transferring.

4. TECHNICAL INSTITUTES

Because today's job opportunities do not resemble those which existed 20 to 30 years ago when many vo-techs were founded, the schools should be renamed "Technical Institutes" to more accurately reflect what students can obtain from a post-secondary training program. For example, Red River Vo-Tech should become Red River Technical Institute.

5. CENTERS OF EXCELLENCE

In May 1988, the Arkansas Business Council Foundation -- in a historic move -- funded along with local matching monies two Arkansas Technical Centers of Excellence in order to provide for high-quality technical education relevant to current business practices and the use of state-of-the-art equipment. The two Technical Centers of Excellence were funded to help established or developing Arkansas industries meet their workforce preparation and technology development needs.

In an effort to build upon the innovative Technical Centers of Excellence established by the Arkansas Business Council, the state should, in the next two years, fund at least one more Technical Center of Excellence in Arkansas, using the competitive proposal approach with local matching requirements which the Arkansas Business Council pioneered. Funding should come through the New Programs Appropriation in the Vo-Tech Division's budget.

6. VOCATIONAL TRAINING NEEDS

The post-secondary vocational school should have adequate resources to provide new training programs required by changes in business and industry. To meet this need, the post-secondary schools should receive funding to establish and equip new programs. **COST: $1,500,000 annually.**

7. CHILD CARE WORKER TRAINING

Through a number of initiatives, the state is promoting a policy of providing expanded child care service in the state of Arkansas. In order to provide additional employment opportunity for Arkansans and to provide appropriately trained workers to staff an increased number of child care

facilities, funding should be provided to the post-secondary vo-tech schools to implement training programs for child care workers. Funding from the New Program appropriation to the Vocational and Technical Division should be allocated to fund up to seven training programs in the first year of the next biennium and an additional five training programs in the second year of the biennium. These programs would be in addition to the pilot project currently being operated at the Petit Jean Vocational-Technical School at Morrilton. **COST: $278,028 FY90; $459,383 FY91.**

D. Reducing Illiteracy

Perhaps the quickest and least expensive boost Arkansas could give to the education level of its citizenry would be to eradicate illiteracy among its working-age adults. Many of the state's people simply don't read well enough to learn the skills they need to do well in the modern economy. The Governor's Commission on Adult Illiteracy has recommended a comprehensive program to identify and train illiterate adults through the work place, probation system, the prisons, and the welfare rolls. Thus Arkansas can dramatically reduce the number of non-readers among adults and increase the number of productive taxpaying citizens. This effort should receive very high priority.

1. INCREASE ADULT EDUCATION FUNDING

Arkansas will not have the kind of jobs its people deserve as long as the workforce is hampered by a high illiteracy rate. Even with our conscientious, honest, and hard-working people, some manufacturers and other industrial prospects may not be able to locate or expand here until the percentage of workers capable of reading and understanding written materials is greater.

The recent report of the Commission on Adult Literacy estimated that 39 percent of the state's population is "undereducated." That is 668,000 Arkansans who are limited in their own economic opportunities and who, collectively, handicap the economic potential of the whole state. As a practical matter, the state cannot simply wait for the current labor supply to retire in the hope that recently stepped-up efforts in public education will yield a more literate group of workers to succeed them. The stark truth is that 80 percent of the people who will comprise the nation's workforce in the year 2000 are already working today.

To make rapid headway on this problem, the state should focus on groups whose members have a higher incidence of illiteracy and are, therefore, most often "at-risk" of not

finding and keeping a job. By mid-1989 Arkansas should develop a preliminary education screening and assessment process for the following people who are readily accessible to teachers and adult education tutors:

- Welfare recipients
- Unemployment beneficiaries
- State prison inmates
- Alternative sentencing candidates

The Commission's recommendations would COST $4,000,000 in FY90, $9,000,000 in FY91.

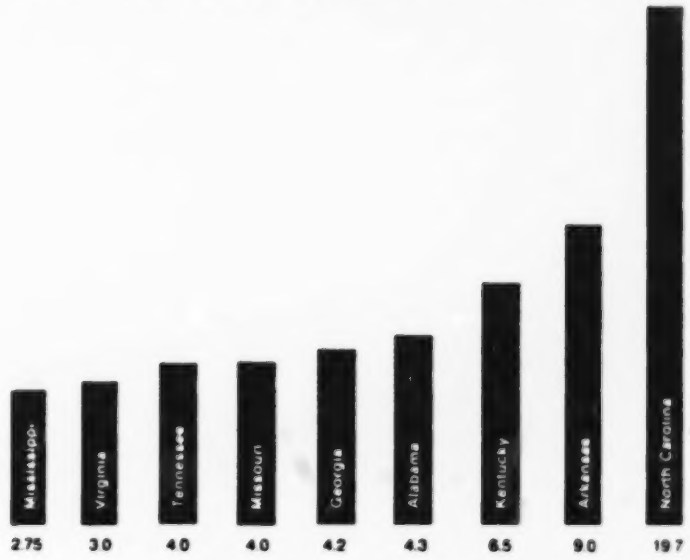
Under a current demonstration project in Arkansas, adults who receive public assistance (AFDC) are referred to a local literacy training site if they cannot read or write. Once such a reference is made, the recipient is obligated to participate or risk sanctions under the terms of the Employability Plan/Contract made between the individual and DHS. This program would be expanded under the pending federal welfare legislation, with more welfare recipients being required to become literate in exchange for the benefits. In addition, DHS is asking the federal government to allow Arkansas to require welfare families' children to stay in school in return for the benefits. When a person enters the Arkansas correctional system and it is determined that the inmate is at or below a fourth grade reading level, he is required to enter the prison's compulsory educational program. He must remain in the program until his functional level is raised above a fourth grade level. Recently the state began to provide "good time" credit for inmates who go beyond the required level of reading. They can get up to 60 days for completing GED, vo-tech, or college work.

Two changes should be made: (1) inmates should be required to read at a much higher level than fourth grade and (2) those inmates who can read and write at a proficient level should be eligible for similar good time credit for teaching or helping tutor illiterate inmates. The appropriate amount of credit for particular intervals of skill enhancement may be left to the Board of Corrections with the assistance of adult education professionals. Additional classroom or instruction time should not necessarily result in an inmate's spending less time in the prison workforce since classes and tutoring sessions could be scheduled at night.

Similarly, state leaders should make a clear statement that it shall be the policy of the state to have courts

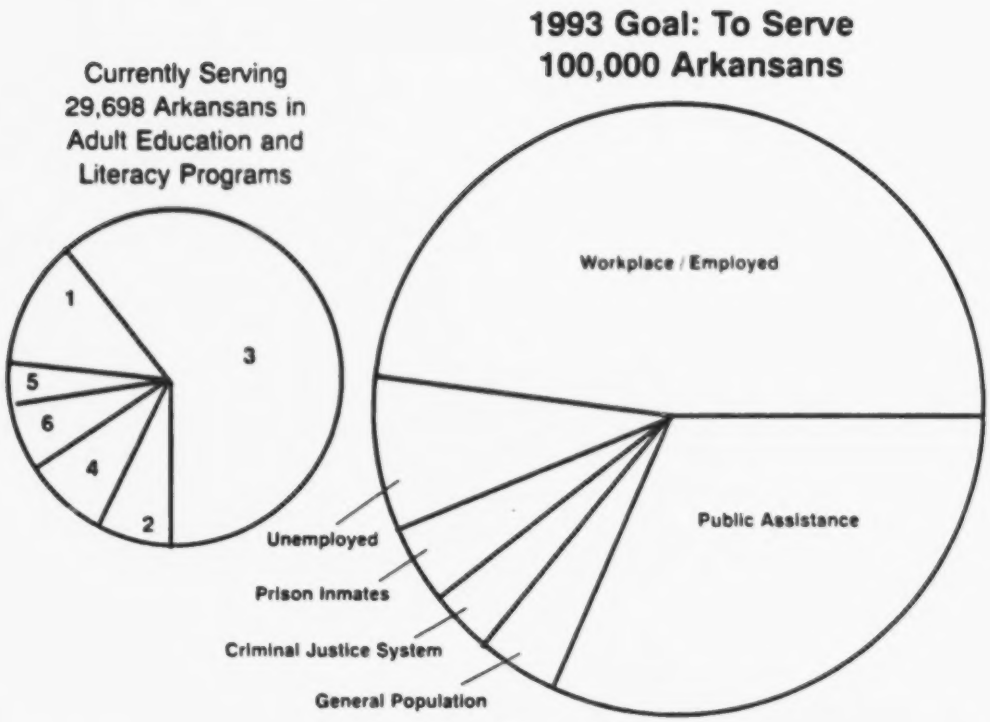
consider alternative sentences requiring participation in a literacy program, either as a student or tutor. Judges in the state would be more inclined to consider such possibilities if the governor and legislature were clearly on record as favoring this form of sentencing for appropriate, nonviolent offenders. Candidates for probationary or alternative sentences who are not literate should be sentenced to a literacy training program, and those who are literate could, where appropriate, be made to teach illiterate students as a condition of probation.

Fighting Illiteracy: Current Spending by Selected Southern States*



* In Millions of Dollars

Reducing Illiteracy Through Target Populations



	TARGET POPULATION	Present	1989-90	1990-91	1991-92	1992-93
1)	Public Assistance	3,452	13,000	23,000	30,000	35,000
2)	Unemployed	2,051	3,900	6,000	8,000	12,000
3)	Workplace/Employed	21,241	20,000	26,600	36,300	46,100
4)	Prison Inmates	1,923	1,400	1,800	2,200	2,600
5)	Criminal Justice System	196	600	1,100	1,500	1,900
6)	General Population	835	1,100	1,500	2,000	2,400
	TOTAL	29,698	40,000	60,000	80,000	100,000

SOURCE Governor's Commission on Adult Literacy

coordinated on college campuses in conjunction with local literacy councils and adult education centers.

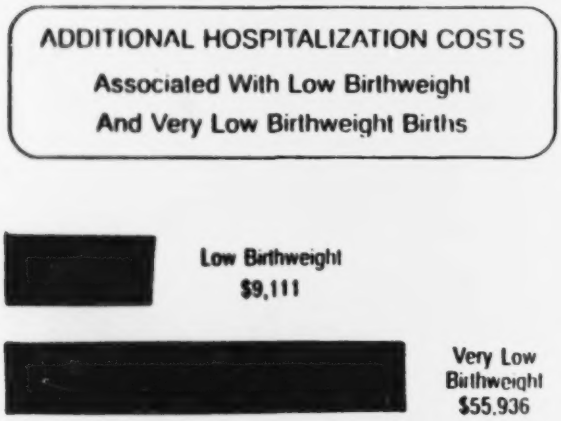
The program should be funded in the initial year on a pilot basis to test its effectiveness. All state and private schools would be invited to submit competitive proposals for participating in the Literacy Corps project. Four to six campuses would be selected from among the applicants. Given a successful pilot phase, the second year would call for an expansion of the involvement to ten campuses. **COST: $302,000 FY90; $691,800 FY91.**

II. INVESTING IN PEOPLE

Compared to other nations, the United States does a very poor job of developing its human resources in health and human services, as well as in education. Arkansas is no exception, and the state pays a significant price for its neglect. Like the state's financial resources, its human resources are limited. Every time a child is born with a disability and cannot keep pace in school, every time a teenager takes risks with drugs and parenting and ultimately quits school because of this behavior, the state suffers. Arkansas loses directly and immediately in the form of medical expenses. And the state loses indirectly because the dislocated child or adolescent cannot make any contribution to the state's productivity and prosperity.

Arkansas must bolster its efforts to prevent these losses, and it has begun this effort. As of July 1, 1988, the state began providing Medicaid coverage for pregnant women and their children (up to age 5) with incomes at or below 100 percent of the federal poverty level. Extending this comprehensive medical insurance increases the degree of prenatal and postnatal care for these mothers and their infants. The state's long-term payoff from sound maternity treatment is significant because it will reduce the number of costly, low birth weight deliveries. Recent statistics indicate that a low birth weight baby generates an additional $9,111 in hospitalization cost, and a very low birth weight baby adds $55,936 in additional hospitalization. These costs are borne in part by the state.

This is one example of the necessary increased investments in health and human services which will have both short- and long-term benefits to the Arkansas economy. In the short run, many of the things the state must do are covered by the Medicaid program which provides a three-to-one federal match. Thus, every $25 in state aid brings another $75 in federal money into the state. More importantly, over the long run, all the preventive investments save an enormous



amount of money. The Women, Infant and Children's Program (WIC) earns $3 in future savings for every dollar invested. Other costs, too, result from the state's failure to invest in human resources. For example, the fastest growing part of Arkansas' budget is the prison system. Seventy-five percent of the people in the Arkansas prison system are there because of ignorance or drugs or both. This is largely because of the breakdown of families and the failure of the state to invest sufficient amounts in the appropriate preventive measures early in life. Money invested in keeping young people free of alcohol and drug abuse, and money we invest in keeping our young people in school and healthy enough to learn will save massive amounts later on. Our state's policy should be clear and simple: to help families succeed in staying together and raising healthy children, and when they fail, to save as many children as possible.

A. Preventive Health Care for Mothers and Infants

Aggressive efforts to reduce infant mortality have brought our rate down to 10.3 per 1,000 live births in 1986, slightly below the national average. However, much still needs to be done in order to guarantee all our children a healthy start in life.

1. IMMUNIZATIONS

The Arkansas Department of Health provides 75 percent of all the immunizations in the state. Because of huge increases in the prices of vaccines, the state's expenditures on these essential services have more than tripled since 1985. The projected costs for 1988 are 38 percent above 1987 costs. And the rising cost of vaccines will prompt more private physicians to send their patients to the state clinics to receive vaccines, saving the doctors the expense of having to stock expensive vaccines.

Although this is a heavy burden, the state cannot afford the even greater burden of an inadequately immunized population. In 1986, there were 72 cases of vaccine-preventable diseases in the state which generated expenditures of $1,800,000 for treating and institutionalizing the victims. A child will die for every 1000 children who get vaccine preventable measles. Thus the Department of Health desperately needs more money to deal with this crisis. **COST: $323,000 FY90; $776,000 FY91.**

2. STANDARD MATERNITY CARE

The Arkansas Department of Health serves some 10,000 women in its clinics across the state. At current funding levels, the State Department of Health is unable to provide basic prenatal tests, including serum pregnancy, ultrasound, hepatitis screening, diabetes screening, amniocenteses, and others. These have become part of the standard care for maternity patients in private clinics. Making these tests available not only is sound preventive medicine but also makes the state health clinics more attractive to practicing physicians who are being recruited by the department. Because physicians working in the clinics are reluctant to practice without these services and because basic patient needs are not being met, funding must increase to assure that these basic tests are available. Without them, the effort to prevent problem pregnancies, low birth weight deliveries, and other costly complications will be seriously hampered. **COST: $200,000 FY90 and $200,000 FY91.**

3. SATELLITE CLINICS

The state should expand the use of extended hour and satellite clinics. This would promote the availability and accessibility of medical services to women and children, as well as others. These clinics would be located around the State in housing projects, community centers, day care centers and schools. In addition to maternity services, the satellites would offer immunizations, EPSDT, family planning counseling, disease screening for young children, and other

services. Again, the benefit to the state is in the form of preventing costly medical problems. **COST: The Department's request is for $275,000 for FY90; $295,000 for FY91.**

4. INSURANCE FOR CHILDREN'S PREVENTIVE HEALTH CARE

Arkansas should mandate that all health insurance policies provide coverage for children's preventive treatment and that such services be exempt from policy deductibles. This will assure that certain cost-effective tests, screenings, and vaccines are administered to a greater percentage of the state's small children. Hawaii, Florida, Rhode Island, and other states have recently adopted this policy. This will save money for insureds and the state in the long run because many expensive medical complications will be avoided by encouraging greater use of preventive services. And it will shift some of the burden which the state health department now carries to private insurance carriers. The indication from those states which have mandated this coverage is that the overall cost to insurers is less than a dollar per insured child. The American Academy of Pediatrics retains an independent actuary to determine the cost of providing preventive health services to children from birth to age 20. The projected cost was $2.28 per family per month. Blue Cross and Blue Shield of Rhode Island estimates the cost for this service to be $2.38 per family per month. There is no cost to the state.

5. HEALTH CARE FOR UNINSURED CHILDREN

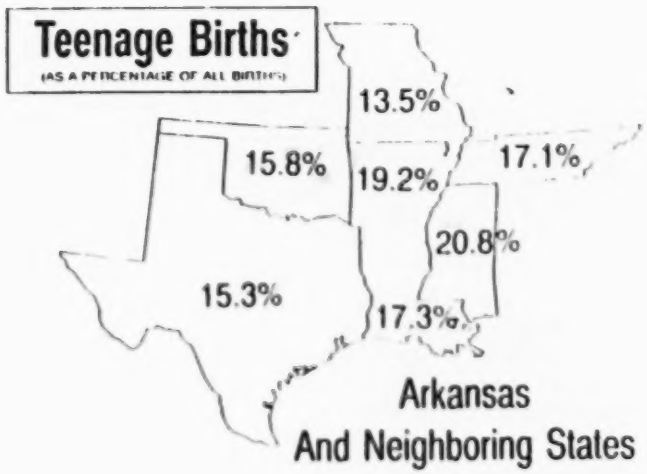
Unfortunately, a number of children whose parents have no insurance would not be helped by the mandatory preventive services coverage proposed above. Some of these children would be Medicaid eligible, but a significant number would fall between the protections of private insurance and Medicaid protection, leaving their parents with no means for providing sufficient preventive medical services. Because everyone suffers when preventable disease afflicts these children, the state must see to it that these children do not become victims of disease. To complement the state's efforts to ensure sensible, comprehensive, and cost-effective health care, the state should fund an insurance pool for uninsured children. Led by the Minnesota Medical Association and the American Academy of Pediatrics, Minnesota has recently approved a Medicare-like insurance program for children ages 1-9 who have no insurance. Under the program, each child within an income eligible family pays a $25 annual fee to be enrolled. Most outpatient services are then covered by the plan, including diagnostic screening and preventive services. No inpatient hospitalization is provided.

Arkansas should institute a similar state insurance program to be funded by a one-cent tax on the 282,000,000 packages of cigarettes sold annually in the state. The combination of this program, the mandatory preventive service coverage through private providers, and the Medicaid current coverage for women and infants to 6 months of age up to 100 percent of poverty will bring the state close to achieving a solid preventive care umbrella for all infants and children. **COST: A study should be performed to determine costs based on the level of usage. The cigarette tax is expected to raise $2,800,000 annually to help fund the program.**

B. Adolescents

1. HEALTH EDUCATORS

The adage that prevention is cheaper than cure is nowhere more evident than in adolescent health care. If a public health nurse keeps one teenager from using drugs, convinces one teenager to abstain from sexual activity and childbearing, or enables one teenaged mother to keep her baby healthy, the nurse will have saved the state more money than she earns in salary. Currently, however, the scope of these threats to adolescent well-being greatly exceeds the number of health educators trying to deter risk-taking behavior. For example, as the graph below illustrates, 19.2 percent of



all births in Arkansas involve a teenage mother, a rate which is considerably higher than that of all surrounding states except Mississippi.

Part of the solution lies in increasing the state's investment in the "cure" available through health educators. The Department of Health, therefore, is requesting funding to hire health educators and staff to work with parents and school personnel to encourage long-term positive behavior by adolescents. The educators would work out of health clinics, hospitals, and housing projects. The state should phase in these services beginning in those counties with the highest teenage pregnancy rates. **COST: $225,000 for FY90; $245,000 to fully fund FY91.**

2. HEALTH SEMINARS

Teacher training at Arkansas universities has received national attention for its progressive approaches to teen health issues. The state should take advantage of these programs by conducting seminars designed to help teachers identify adolescent health problems and persuade children to avoid unnecessary health threats. The recommended funding would provide training for 180 teachers annually. **COST: $45,000 annually.**

3. CASE MANAGEMENT OF TEEN MOTHERS

The Department of Health should also be given funding to extend the nursing coordination and follow-up services available to adolescents who have just given birth. The primary benefit of assuring healthier beginnings for these children could be realized by extending the nurse case management for teen mothers for 3 to 6 months postpartum. This program should be begun on a pilot basis in selected counties. **COST: $203,000 FY90; $225,000 FY91.**

4. SUBSTANCE ABUSE

Prevention of drug and alcohol abuse is less expensive than treatment and should be the first line of defense. But Arkansas must also make treatment available on demand. The area of greatest need for such treatment is that for adolescents.

a. **INPATIENT TREATMENT:** The Department of Human Services proposes the establishment over the biennium of four, ten-bed facilities for adolescents. The facilities are available through private providers, and the legislature should fund the creation of the programs. **COST: The**

Department anticipates an annual operating cost of $300,000 for each program established.

b. OUTPATIENT TREATMENT: Not all adolescents with a drug or alcohol problem are in need of extensive inpatient treatment. These children can be helped by outpatient counseling and supervision. The Department of Human Services has proposed a new program to be coordinated with the Department of Education and local school districts. The DHS's counselors would work with school districts to identify adolescents needing outpatient counseling. These students could be helped and treated while they remain in school. **COST: $200,000 FY90; $300,000 FY91.**

5. JUVENILE JUSTICE

Following the ruling of the Arkansas Supreme Court that the state's current juvenile justice system is unconstitutional, the Juvenile Justice Commission was formed by the Governor. The particulars of that commission's recommendations will not be available until late 1988, but it is certain that revising the state's juvenile code will cost some money.

6. JUVENILE DETENTION

It is anticipated that the Juvenile Detention Task Force is going to recommend an appropriation for the establishment of a capital grant and revolving loan fund account to assist in the construction of appropriate facilities for the detention of juveniles who, after December 1988, can no longer be detained or confined in any jail or lockup for adults under the Juvenile Justice and Delinquency Prevention Act of 1974.

C. Family Preservation

Without question, one of the biggest causes of the dramatic increase in the number of at-risk children in this society is the weakening of the traditional family unit. The state's policy should be to strengthen all its families and to help families succeed in doing what families do best. But when families dissolve or fail, the state should make the effort to save as many children as possible.

Those consequences of family failure are evident in the poverty data. Nearly 30 percent of all the children under 18 in the state live in households below the poverty level. According to the 1980 census data, 66,189 children in poverty lived in a household with a single female parent. This is

approximately 43 percent of all the state's impoverished children. Looked at from another angle, there is a six-in-ten likelihood that a child living in a female-headed, single parent household will be living below the poverty line. That is, 58 percent of all children living with a single female parent are living in poverty. Clearly, the trauma and deprivation imposed on early childhood can be reduced considerably if the state can find ways to increase the survival of two-parent families. And equally clear is the task of addressing the supplemental needs of so many children who live without the benefit of a stable home and under the heavy weight of poverty.

Another consequence of family instability is the high teenage birthrate and the large number of children born to unwed mothers. And, obviously, the children born in these circumstances often in turn become sources of further poverty and of continued erosion of family guidance. There were 8,485 children born last year in Arkansas to teenage mothers who were not married. Frighteningly, 168 of these children were born to mothers under 15 years of age. And how many of these children born of children will bear their own children in the next 13 to 18 years? Clearly, something must be done to break the costly grip of this self-perpetuating poverty.

1. CHILD CARE

a. **FUNDS FOR CHILD CARE SUBSIDY:** In 1987, because of reductions in federal funds, the state first appropriated funding for child care to supplement the federal program. These funds have helped low income people obtain developmentally appropriate day care they could not otherwise afford for their children. When these children of financially strapped parents are able to develop their learning potential and ultimately become productive rather than dependent members of the community, the state gains. Therefore, in 1989, the legislature should increase funding for this program. **COST: $559,000 annually.**

b. **GUARANTEED CHILD CARE LOAN FUND:** For some Arkansans the problem with day care goes beyond the expense associated with it. For these parents the issue is not sound day care but no day care. Many persons who want to operate a day care center cannot afford it. The start-up cost even for a small facility in a home can be overwhelming. Since federal funding is not available for purchasing toys and equipment, or to cover any other capital costs associated with opening a new day care facility, the state needs to offer a fund that will act as seed money to get additional facilities open or existing ones expanded. Along this line, The Governor's Advisory Council on Child Care has recommended the creation

of a revolving fund to help those interested in opening or expanding licensed day care facilities. **COST: $100,000.**

2. AID TO FAMILIES/WELFARE REFORM

Arkansas' welfare program has received high marks from national experts who have examined and compared the benefits systems of various states. A national study recently reported that in Arkansas hard-core welfare beneficiaries were often moved back into the workforce. It also noted that persons who went through the state's work training program earned 30 percent higher salaries than those former welfare recipients who returned to the workforce without having had the training.

Some problems still exist, however. One is that the current system contains financial disincentives for keeping a two-parent family unit intact. There are serious negative consequences when an impoverished mother is forced to choose between staying with the father of her children or keeping the government welfare check on which she relies to feed those children. To avoid such a harsh dilemma, which surely aggravates the instability in an indigent child's life, the new federal welfare reform law requires states to provide cash assistance and Medicaid to needy families with both parents in the home for six months a year if the primary wage earner is unemployed. **COST: The Department is requesting $3,130,000 for FY90; $4,606,000 for FY91.**

3. CHILD SUPPORT REFORM

The welfare reform legislation will also permit Arkansas to require more welfare recipients to participate in education training and work programs. Also, Arkansas will ask the federal government to permit us to require welfare families to keep their children in school in return for receiving welfare payment.

The Arkansas Child Support Enforcement Unit of the Department of Human Services earned a national award in September of 1988 for its excellence in administering the child support program in Arkansas. Arkansas was recognized for "achieving the best performance of any state in the country" in establishing paternity. In 1986 the DHS established paternity in 11.3 percent of the state's child support caseload, the highest effectiveness rate of any state in the nation. Arkansas also ranked second in the increase in child support obligations, eighth in the increase of child support collections, and eighth in the increase of percentage of welfare benefits recovered by child support collection.

Clearly, this success positively affects the cost of the state's welfare program and may diminish the ravages of poverty on thousands of children.

Nevertheless, significant amounts of the costs which the state incurs through welfare and Medicaid benefits might still be saved by even stricter enforcement of child support orders and, more importantly, by imposition of more equitable orders in the first place. The Department of Human Services has proposed a number of changes in the Arkansas Code which are designed to accomplish stricter enforcement and assure fairer child support levels, thus saving the state money. At least three of these proposals deserve the legislature's approval:

* A repeal of the five-year statute of limitations in collecting past due child support.

* Legislation to permit immediate withholding of child support upon the issuance of the child support court order. (Current law requires that there must be an arrearage before child support can be garnished or withheld.)

* Legislation requiring court adherence to the child support charts except in extraordinary circumstances. In such circumstances, written justification of deviation from the chart should be part of the court's decision.

D. Other Health Care Issues

1. INDIGENT HOSPITAL PATIENTS

The Indigent Health Care Advisory Committee has recommended legislation to prohibit any hospital from denying needed medical services to an indigent patient. While most hospitals do not practice this shameless policy of "dumping," the Indigent Health Care Advisory Committee's recommendation deserves the legislature's support as testament to the state's commitment to providing decent health care to all citizens. The Committee's recommendation is the right thing to do and it saves everyone money in the long run.

2. HOUSING AND CARE FOR THE ELDERLY

a. **HOME HEALTH CARE:** Home health care services and personal care services should be made available to the elderly through Medicaid. A Medicaid waiver for these services would enable more senior citizens to receive needed care. The waiver should use nursing home income guidelines and must be accompanied by the necessary funding from the

legislature. **COST: DHS is requesting $1,710,00 for FY90; $3,421,000 for FY91.**

b. ALTERNATIVE LIVING: The Area Agencies on Aging, the AARP, the Ad Hoc Committee on Aging, and the DAAS all advocate an expansion of the alternative living programs. This should be attainable at a significant savings because home care offers a higher quality of life for less money to those who do not require nursing home supervision. **COST: DHS is recommending $1,000,000 for FY90; $2,000,000 for FY91.** This is admittedly a large amount of money. However, these types of programs will slow nursing home admissions and ultimately save the state money through the reduction of Medicare and Medicaid payments.

3. CATASTROPHIC HEALTH AND NURSING HOME REFORMS

New federal mandates will require additional expenditures of general revenues to meet requirements in providing catastrophic health care and nursing home reform. The requests are as follows:

		FY90	FY91
1.	OBRA Nursing Home Reform	$ 2,151,000	$ 4,587,000
2.	An additional request will fund care for mental patients who are now in nursing homes, but who must be moved to satisfy federal mandate.	1,334,000	1,485,000
3.	Catastrophic Health Care (Hospital and Medical)	2,049,000	3,452,000
4.	Catastrophic Health Care (Prescription Drugs)	424,000	1,594,000

4. RURAL HOSPITALS

Many rural hospitals are experiencing severe financial distress, largely as a result of significant changes over the past few years in the way the federal government reimburses Medicare costs. A Rural Hospital Task force has recently convened to look aggressively for ways to help these hospitals.

5. MENTAL HEALTH

Pending federal litigation will result in some liability for the state over conditions at Rogers Hall. In addition, the legislature made community mental health centers the single point of entry into the state mental hospital in 1987, and the mental health task force will submit proposals for ways to further reduce our institutionalized population. **COST: NOT DETERMINED**

E. State Employees

1. SALARY INCREASE

State employees have not had a pay scale adjustment since 1985, resulting in an erosion of their real income as a result of inflation. This pay loss has also made it increasingly difficult to recruit and retain top level personnel, particularly in some technical or specialized jobs, and it has caused a large turnover in important lower-level positions because people in these positions have a hard time making ends meet. The resulting loss of state personnel can, and must, be immediately redressed by raising the state employee pay scale approximately 9 1/2 percent across the board. **COST: STATE AGENCIES: $22,400,000 IN FY90, AN ADDITIONAL $9,230,000 IN FY91. CLASSIFIED EMPLOYEES OF INSTITUTIONS OF HIGHER EDUCATION: $7,950,000 IN FY90, AN ADDITIONAL $2,500,000 IN FY91.**

2. FLEXIBLE BENEFITS/CHILD CARE

Many larger employers have taken advantage of the recent change in federal law which permits employees to set aside a portion of their pretax salaries for such items as medical, dental, or child care expenses. The state should give its employees the option to take advantage of this provision of the federal tax code which facilitates child care and preventive health care. The state should determine the feasibility of administering a benefits plan where state employees could spend untaxed earned income to meet the cost of a certain combination of expenses, chosen by the employees. **NO COST.**

F. Homeless

Homelessness is a growing problem and is not, unfortunately, confined to large metropolitan areas in our country. There are over 700 homeless people in central Arkansas alone. The Office of Community Services in the Department of Human Services is requesting a special appropriation bill for the purpose of establishing a $50,000 grant fund for emergency housing shelters for the homeless.

This is a small amount of money but a symbolically significant statement about Arkansas' commitment to alleviating homelessness in the state.

III. INVESTING IN OUR COMMUNITIES

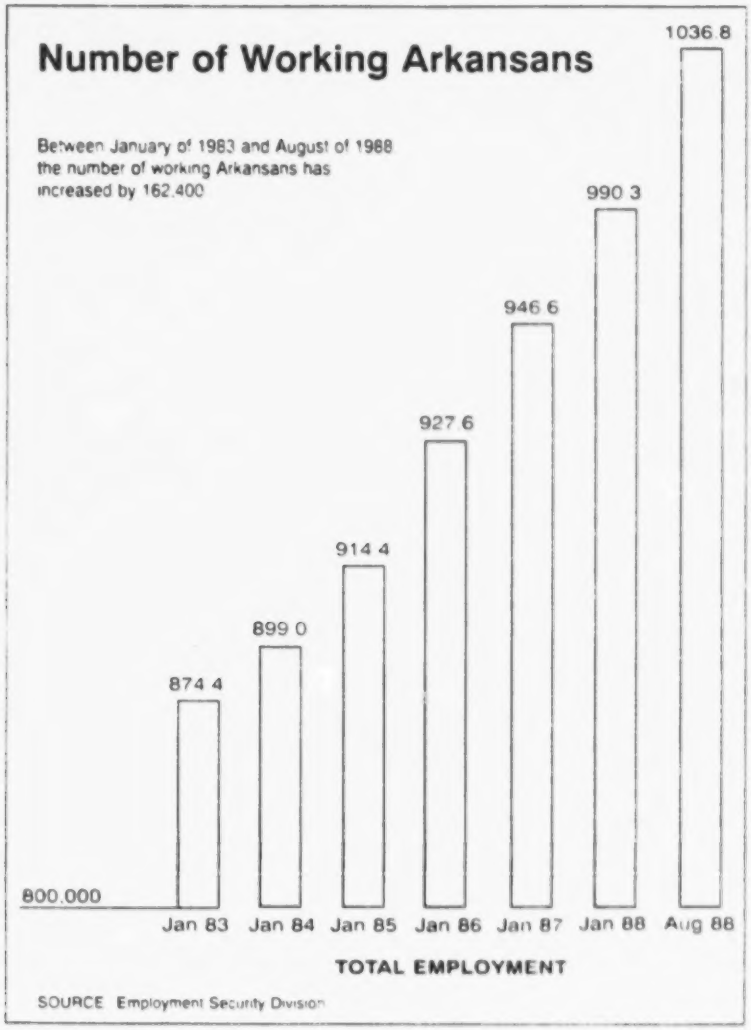
Arkansas has much to be treasured in its communities around the state. But the state can do more for its towns and cities by attracting new industry, helping existing industries expand, encouraging entrepreneurship, and undergirding the agriculture sector which is so vitally important to the state. At the same time, the state is obligated to safeguard its precious natural resources and preserve its cultural heritage.

A. Economic Development

Arkansas' per capita income went from 56 percent to 78 percent of the national average between 1946 and 1978, but between 1978 and 1988, the state's per capita income fell from 78 percent to 75 percent of the national average. This decline was the result of the pressure of international competition in agriculture and manufacturing, national economic policies which hurt the producing states and rural areas more than the urban areas, and the inability of the state's people to compete in an increasingly diversified and complex world economy. While some of these problems with the state's economy can only be addressed with federal policy changes, state and local communities can do much to help the situation. The job of the state is to encourage diversification of the Arkansas economy, to take advantage of whatever markets exist and to bring more people into the mainstream of economic life. That requires a broadening of the current development strategy. States with more diversified economies get better paying jobs and have lower unemployment rates even if their wages and taxes are higher. This does not mean Arkansas can abandon its strategy of seeking manufacturing jobs. On the contrary, the state has no choice but to intensify efforts to generate more manufacturing opportunities, especially in small towns and rural areas where there are relatively few good paying service jobs available. On the other hand, it is perfectly clear that for many years now most new jobs in Arkansas have come from expansion of existing businesses or new business start-ups by native Arkansans. Therefore, it is imperative that the state expand and intensify the effort that has been made for the last several years to build the Arkansas economy from within, to make markets for people who are already here, and to help more Arkansans to go into businesses with the prospect of long-term success. That means that there must be more investments not only in education, but also in infrastructure and economic development programs. On top of

that, the state must continue to seek from across the nation and around the rest of the world new jobs and new investments.

Arkansas has been successful in both expanding the base of jobs in the state and attracting outside jobs over the past 5 years. From 1983 through July 1988, there was a net increase of 150,000 new jobs in the state. Of all the new jobs, 26,000 were traditional manufacturing sector jobs, but over 93,000 were in non-manufacturing sectors like trade (41,800) and services (41,800). There was an actual decline in nonwage and salary jobs (largely agricultural) over this time period, thus accounting for the net figure of 150,000.



1. INDUSTRIAL GROWTH

a. **STATE ECONOMIC DEVELOPMENT CAPITAL FUND:** The Fund will provide financial assistance for public facilities needed to support private sector job creation. This program spent $3,000,000 in the present biennium. It is a valuable supplement to the CDBG program but needs to be greatly expanded. **COST: $8,000,000 from general improvement fund.**

b. **INFRASTRUCTURE:**

(1) Roads. Three times in the past decade, we have raised money to protect and improve our road system. Many improvements have been made. Still many areas of our state are relatively isolated from the full benefits of our state's four-lane network. The Highway Department has put together an ambitious $2,000,000,000 four-lane network designed to spur more balanced growth throughout the state. While the state cannot afford or economically justify the $200,000,000-a-year, ten-year program originally proposed, the Highway Department is developing a proposal which will bring substantial economic benefits at a price we can afford, paid for from traditional sources of highway revenue.

(2) Water Systems. Many small towns still lack adequate water systems and growing communities need expanded supplies. In 1984 the voters gave the state the authority to raise up to $100,000,000 in water bonds to provide loans to communities for water projects. We should continue to expand the use of this option.

(3) Sewer Systems. Many of our communities need good sewer facilities. Others must upgrade their systems to meet federal clean water standards even though federal funds have been cut dramatically during the 1980's. In November, the voters will have an opportunity to authorize the issuance of up to $250,000,000 in bonds over the next several years to fund sewer projects. If it is approved, the state should begin implementation of this program.

c. **ENTERPRISE ZONE PROGRAM:** Since 1983, this program has helped to encourage new investment and expansion leading to new jobs, but it has also provided tax benefits to some businesses who would have made their investments anyway. The Enterprise Zones should be reauthorized with narrower restrictions on qualifying projects and investments, and greater emphasis on distressed areas especially those targeted by our Rural Development Action Program. Specifically, the new act at least should eliminate credits for commercial and retail businesses and provide that only

distribution and manufacturing development projects be entitled to the tax credit. This will prevent the use of the tax credit program by motels, restaurants, and other such unintended beneficiaries.

d. MINORITY BUSINESS DEVELOPMENT: Minority business development can become a greater asset in Arkansas' growth and development. The limited efforts in this area to date have produced new manufacturing and commercial operations, increasing employment and strengthening the overall business climate. Additional efforts should be made by providing on-site technical assistance to small minority businesses in rural areas. And the state should continue to expand the opportunities for minority vendors and contractors to do business with state government. Loan funds are currently available from AIDC for qualified minority businesses in rural areas. Other state loan programs have a legislative mandate to aggressively pursue financing of minority businesses. To accomplish the goal of increasing the number of strong minority businesses, personnel and support services must be added to the Minority Business Development Office. **COST: $91,000 annually.**

e. EUROPEAN AND ASIAN TRADE AND INVESTMENT PROGRAMS: Given our past successes and current potential for increased sales of agricultural and manufactured products, and for more foreign-owned manufacturing plants, our international programs must be strengthened.

Our international programs are paying off for Arkansas. Since creation of the AIDC Marketing Division in 1979, the number of foreign-owned manufacturing operations in Arkansas has increased from 35 to 61 companies. One example is the Nucor-Yamato Steel Mill which will employ 600 people at an average salary of $40,000 per year. During the same time period, the number of Arkansas companies exporting products increased from 320 companies to 572 companies.

Because of the increased interest of European and Asian countries in locating manufacturing plants in the United States, and because of Arkansas' efforts to pursue trade and investment opportunities jointly with Mississippi and Louisiana, there is a significant potential for creating more jobs and selling more Arkansas-made products abroad if we increase our efforts in Europe and Asia. **COST: $247,000 annually.**

f. STRENGTHEN AIDC RECRUITMENT: The state is currently enjoying one of its most active periods of industrial recruitment. In 1987 there were 252 plant expansions and 92 new plant locations. The recent trade mission to Asia is

sure to increase this activity even further. All of the evidence suggests that the state may be on the verge of one of its best industrial growth periods ever. For this reason and because the current staff of industrial recruiting offices at AIDC cannot handle all of the prospects they are receiving, the legislature should increase the recruiting staff and resources at AIDC.

g. **ARKANSAS INDUSTRY TRAINING PROGRAM:** The Arkansas Industry Training Program is one of the most successful job-specific training programs in the country. The program is designed to meet the skilled workforce requirements of existing and new Arkansas companies. The training program is flexible in the type of courses it offers in that it provides on-the-job training, skills training, and management training.

Since studies show that young people entering the work place today will change jobs seven to ten times in their lifetime, a flexible and comprehensive training program is necessary to provide a quality workforce. The ability to train and retrain our workforce is vital in meeting the ever-changing job skill demands in our economy and in providing a lifelong opportunity for Arkansans to get jobs. Arkansas must provide more funding to expand these training programs to offer more Arkansans a secure future. **COST: $430,000 annually.**

h. **ANTI-TAKEOVER LAWS:** Arkansas should amend its current corporate takeover statute so that it reflects the judicially approved language contained in similar statutes from other states. This change would render hostile takeovers of Arkansas corporations, like the one recently attempted involving Arkansas Best Corporation, more difficult, and thus help protect jobs in the state that might be jeopardized by a hostile takeover and subsequent reorganization or sale of corporate assets.

i. **SMALL BUSINESS LOAN PROGRAM:** One of the major problems encountered by small businesses is a lack of operating funds for start up and expansion. Most traditional public and private sources do not make small loans under $50,000 for operating expenses. Small loans under this program, combined with bank loans for land, building, and equipment, can increase the number of small businesses operating in Arkansas. **COST: $500,000/year ($50,000/loan).**

j. **SMALL BUSINESS INNOVATION RESEARCH (SBIR):** This technology assistance program, initially authorized in 1987, needs to be expanded. Now SBIR helps Arkansas firms prepare

proposals for federal funding for research grants. With expanded resources, SBIR could match federal awards which would enhance the productivity of the federal grant and increase the probability of follow-on federal funding to commercialize the new products. **COST: $200,000/biennium.**

2. TECHNOLOGY

a. **BASIC AND APPLIED RESEARCH:** The highest priority for the Arkansas Science & Technology Authority (ASTA) is its basic and applied research program. The basic research program provides grants to colleges and universities to purchase scientific equipment and pay for operating expenses associated with university-based research. This improves the quality and quantity of research being done and results in more federal research dollars flowing to our colleges and universities. Previous basic research projects have focused on rice processing, bait fish, catfish, robotics, truck brakes, and others.

The applied research program makes grants to colleges and universities to do research which has immediate practical application in the private sector. The private sector matches these grants on an equal basis. Previous project areas include laser instrumentation, hip disease, cattle feed, and others.

The results of these research programs are paying off for Arkansas. New high-tech devices and businesses are being created. Increased federal research dollars are coming to Arkansas. To continue this momentum, the state must continue to fund ASTA's basic and applied research program. **COST: $600,000 annually.**

b. **TECHNOLOGY DEVELOPMENT PROGRAM:** Every research project represents a new opportunity for economic development. Basic research stops just short of results that are ready for industrial and commercial applications. This program fills the gap which exists when basic research points toward a commercial application but industrial matching funds are not available. Under this program ASTA could make grants to small businesses, federal labs, colleges, and universities, for the development of commercially needed technology with economic potential. This program would also help our institutions of higher education market the results of their research to private companies for fees and royalties. **COST: $400,000 FY90; $400,000 FY91.**

c. **TECHNOLOGICAL CENTERS FOR EXCELLENCE:** The state should support a program, through the Arkansas Science and

Technology Authority, to establish at least three research centers for technological excellence. This approach has been recommended by the Carnegie Report and Arkansas Business Council. These centers of excellence would be located at Arkansas colleges and universities. Opportunities for such centers appear to be in the areas of superconductivity, biotechnology, software development, and water resources. These areas offer excellent opportunities to leverage federal and private sector funds in support of technological excellence in Arkansas. Oil overcharge funds from the federal government have been used for superconductivity research and other projects, but these are one-time funds that will not be available in the future.

Institutions of higher education recognized for excellence in specific technological areas contribute tremendously to our state's efforts to compete in an increasingly high-technology world economy. **COST: $3,000,000 for the biennium.**

d. **BUSINESS INCUBATORS:** Business incubators are designed to stimulate the development of technology-based businesses in the state by providing office space and technical and scientific assistance to new Arkansas businesses which are not ready for full operation. Nearly 20 small businesses are located in five incubators around the state. Each incubator is sponsored by an Arkansas college or university.

Specific areas of business concentration include biomedical research, water filtration, electronic equipment, medical diagnostics, low-altitude photography, metal fabrication, and many others which have the potential to hire thousands of Arkansans when they leave the incubator to go into full commercial production.

These five incubators need additional operating support for another two years so they will continue to provide quality service to their clients. In addition, the southeast Arkansas area does not have an incubator. Funding should be provided to establish this new incubator. **COST: $750,000 [$250,000 to establish one incubator].**

3. AGRICULTURE

a. **AGRI-LOAN MEDIATION:** The federal government has established a matching grant fund to encourage states to develop programs which help debt-ridden farmers and their creditors mediate their farm credit problems. States with Agri-Loan Mediation Programs are eligible to receive up to

$500,000 in federal matching funds to encourage the restructuring of farm debt. Taking advantage of this program might give some farmers in Arkansas the second chance they need to avoid losing their farms. It could also reduce costly bankruptcy proceedings in some instances, thus benefiting both creditors and farmers. Arkansas should follow the lead of Iowa, Minnesota, and other farm states in setting up the state system to become eligible for federal assistance. **COST: $120,000 annually.**

b. **FAMILY FARM AGRICULTURE DEVELOPMENT:** Many Arkansas families have chosen to stay in rural areas and attempt to generate income from small landholdings to support housing, education, transportation, and other needs. The Agriculture Division of AIDC has provided technical assistance and advocacy for hundreds of small family farmers. These efforts have resulted in (1) a small loan program for vegetable farmers funded by the Southern Development Bancorporation, (2) the funding of three small farm demonstration projects with oil overcharge dollars which will help small farmers to increase markets and decrease energy inputs, and (3) assistance for small farmers who needed information on loans, marketing, and emergencies related to the recent drought.

Many more small farmers are in need of similar types of assistance, but only one staff member has been authorized for the program. Two additional people and operating expenses are needed to continue this work and to do more work in the areas of crop diversification, truck farming, and marketing products to large wholesalers and grocers inside the state of Arkansas. The result will be increased income for small family farmers in Arkansas. **COST: $85,459 for FY90, $87,838 for FY91.**

4. HERITAGE/PARKS & TOURISM

Tourism is an extremely important part of our state's economy and will play a central role in its continuing development.

The state has done much to preserve both its natural beauty and cultural heritage. There are now 44 state parks which provide recreation and escape for hundreds of thousands of Arkansans and visitors each year. The state also has established ownership interest in 12 natural areas since 1983. For example, this year the Natural and Cultural Resources Council, through the real estate transfer tax, granted funds for the Natural Heritage Commission to purchase from the Nature Conservancy the Cossatot River natural area in southwest Arkansas, which will become a state park as

funds are raised to pay for the acquisition. Many communities are being restored through the Main Street Program and other efforts to preserve our heritage financed by state and local government and the private sector are underway. Arkansas must continue the aggressive stewardship of our natural heritage.

a. **PARTNERS FOR LIVABLE PLACES:** Partners for Livable Places is a program which will help Arkansas stimulate new economic vitality and successfully compete for tourists and business by emphasizing our amenities. Amenities are our most attractive features: historical sites, theatres and museums, parks, natural and scenic resources. They provide excitement, pleasure, and enrichment to residents and tourists alike.

In the past, amenities have been viewed as an effect of development -- the luxuries that prosperity made possible. But recent changes in the economy's structure have changed all that. Arkansas must assess the potential of its amenities to cause economic development. We must begin to view amenities as infrastructure. Today we recognize that many factors which contribute to our quality of life are the same factors which attract new businesses and tourism to an area.

The strategic plan being developed by Partners for Livable Places will help us use our amenities for economic development by forging links between the public and private sectors.

Seed money is needed to fund the state's role in this endeavor. **COST: $135,000.**

b. **DELTA CULTURAL CENTER:** Arkansas is blessed with a richly diverse set of cultures from the Ozarks to the Mississippi Delta. Unfortunately, the Delta is also one of the most depressed areas in Arkansas. In order to preserve its heritage as well as to capitalize on an abundant opportunity for tourism development in Eastern Arkansas, Arkansas should proceed with plans to develop a multi-state historic, cultural, and performing arts center at Helena. This would be a logical complement to the popular Ozark Folk Center in Mountain View. The first stage of the development of the Delta Cultural Center would be the restoration of the old train station in Helena. **COST: Funding needs for the first phases of development would be approximately $1,000,000. Administratively, the Center should be jointly funded through and operated by the Departments of Parks & Tourism and Arkansas Heritage.**

c. **TOURISM ADVERTISING:** Arkansas does not spend as much as surrounding states spend on tourism advertising and the trend is continuing. Arkansas is projected to spend around $640,000 on promotion in 1988, while Missouri and Tennessee are expected to spend around $4,000,000 each and Oklahoma over $2,000,000. Texas will pay almost $10,000,000 for advertisement in 1988. Notwithstanding this imbalance, the state still manages to attract a number of tourists. It has been estimated that on a typical summer day, there are approximately 263,553 individuals traveling in Arkansas. But the lower spending level on advertising will ultimately leave the state in an uncompetitive position compared to its neighbors.

The Subcommittee on Tourism Development of the Joint Interim Committee on Agriculture and Economic Development has recommended a $5,000,000 increase in the annual funding of the state's Parks and Tourism agency's budget, to be used for additional advertising and promotion. The Subcommittee proposes that this money be raised through a 2 percent tax on so-called tourism expenditures such as those for motels, hotels, recreation facilities, theme parks, and other similar institutions. We should have a very substantial increase in our tourism advertising expenditures.

B. ENVIRONMENTAL MATTERS

Arkansas is richly blessed with natural resources and ample clean air and water. Yet the state also faces many of the same environmental problems found throughout the country and must find the means of accommodating economic growth in a responsible manner that preserves what is special about Arkansas. The state must act now to preserve its clean water and overall natural beauty.

1. QUALITY DRINKING WATER

The Federal Safe Drinking Water Act requires that community drinking water be monitored every four years for certain synthetic organic compounds. The state's existing laboratory equipment is not sophisticated enough to make these checks with adequate precision. These tests are run on water from municipal plants and wells and are designed to prevent people from drinking polluted water. To maintain compliance with the federal law and to assure the healthiest drinking water supplies, the Health Department is requesting funds to purchase the needed equipment. COST: $300,000.

2. INDOOR AIR QUALITY

Two concerns must be addressed with respect to the quality of air which is breathed in public and private buildings. First, the state must assess the need for asbestos abatement in the more than 5,000 publicly owned buildings which may be affected. The Health Department currently lacks sufficient technical resources to deal with this potentially significant problem. Second, the Health Department must also step up its effort to control indoor pollutants like radon that adversely affect public health. The increasing usage of weather-tight buildings has led to a concentration of these indoor pollutants.

In addition to needing more resources to combat these problems, the Department of Health should be given the authority to license and regulate the heating, ventilation, air conditioning, and refrigeration contractors and installers who can positively affect the degree of indoor pollutants. A small fee should be charged for such licenses in order to cover some of the cost of this safeguard. **COST: $175,000 FY90; $185,000 FY91.**

3. HAZARD IDENTIFICATION AND NOTIFICATION

The growing number of requests for information pertaining to hazardous substances and their potential health risks has outpaced the state's capacity to provide prompt, reliable responses. The state needs to develop a superior inventory of hazardous materials within the state and to be able to offer instantaneous data in the event of an emergency. **COST: The Health Department is requesting $103,000 for FY90; $113,006 for FY91 to fund this enhanced capability.**

4. WATER POLICY

Arkansas must establish a progressive and comprehensive policy regarding the use, protection, and enhancement of our water resources. This policy must be a balanced one which considers the water needs of municipal and industrial systems, the needs for fish and wildlife, the needs of agriculture and public recreation, and the water needs for navigation.

The water policy of our state must encourage the conservation of precious groundwater and the development of more surface water storage. The state should continue to provide incentives for farmers to capture and store more surface water. Also, more efficient methods of irrigation

need to be implemented to conserve water and better irrigate cropland. Legislation will be introduced which establishes a state water policy.

5. GROUNDWATER QUALITY

Since several significant and potential groundwater contamination problems have been identified by recent examination, Arkansas should consider a statewide program to monitor comprehensively the quality of all of our state's groundwater. This program will require the Pollution Control and Ecology Department to test the groundwater in every aquifer in the state and collect, sample, and analyze groundwater and identify possible problem areas. This will also allow Pollution Control and Ecology to examine and ascertain the sources of this pollution and to take needed action to prevent the contamination from spreading. COST: $150,000 annually.

6. SOLID WASTE MANAGEMENT RECYCLING AND LITTER PROGRAM

Arkansas must adopt a comprehensive solid waste management program that incorporates a policy of recycling, resource recovery, and litter control. Since 26 percent of class I and II landfills will be full in less than three years and 46 percent of these landfills will be full in less than five years, Arkansas must act now to reduce the amount of solid waste going into these landfills and drastically increase the volume of waste being recovered and recycled. Resource recovery must be emphasized because it will conserve energy and our natural resources. Legislation will be introduced which establishes this program and sets up a loan and grant program to assist local governments in planning and developing resource recovery programs. This program will be financed by the establishment and collection of a landfill fee.

7. LOCATING SOLID WASTE LANDFILLS

Current state law should be amended to grant the Department of Pollution, Control & Ecology (PC&E) an expanded jurisdiction over the site selection process for solid waste disposal facilities. Currently, PC&E's authority to review proposed sites is limited to biological, chemical, and ecological considerations. There is no entity charged with assuring that the site is sociologically and economically satisfactory, as well as being environmentally safe. PC&E would locate these sites much the same way the Public Service Commission reviews the proposed location for a major utility facility. PC&E would continue to pass judgment on all issues of air and water quality. However, the Director of PC&E would be vested with the ultimate authority to consider the

proposed location and to reject it if appropriate, in view of socioeconomic and community concerns which are not within the more technical purview of the PC&E.

IV. INVESTING IN STRONG LAW ENFORCEMENT

A. Prisons

Virtually every state in the Union is experiencing a dramatic increase in prison populations. Between 1972 and 1988, the prison population in Arkansas tripled going from 1,750 to 5,360 inmates. This vastly exceeds the state's overall population increase of 24 percent since 1970. The rapid growth in prison population has caused the Correction Department's appropriation to become the fastest rising portion of the state budget. With stiffer sentences and greater law enforcement efforts to halt the menace of drugs, the continued burgeoning of the prison population is assured. Therefore, the state must find a way to punish all convicted offenders appropriately without wasting scarce, expensive spaces in the penitentiary that have to be reserved for violent, dangerous inmates.

In addition to seeking to impose cost-effective punishment on convicted felons, the state must do more to make the entire criminal justice system more equitable and responsive to the citizens it seeks to protect. To do this, the state must actively explore additional innovative restitution mechanisms that provide the possibility of requiring convicted felons to compensate the victims of their crimes. This mechanism must be carefully assembled and available in selected situations. But justice requires that the system invest more resources for dealing with the victims of crime and their families.

In pursuing these aims, the state should emphasize two general areas of need: (1) information for better management and risk assessment of the prison population; and (2) alternative, cost-effective means of punishing "lower risk" inmates. These two concerns are related in that a superior quality of information will facilitate the making of smart choices about the most appropriate and cost effective forms of punishment which are consistent with the public safety.

1. RISK MANAGEMENT

Many other states are currently investing in programs aimed at enhancing the capacity of judges, juries, prosecutors, and prison officials to make appropriate decisions about the convicted felons in the state. A comprehensive risk assessment mechanism provides an objective review of the convicted felon's background and informs those

persons charged with prosecuting, punishing, or paroling convicted felons.

Most states now have a computerized criminal history system. Such a system, accessible to judges, prosecutors, and law enforcement officers, is an essential management tool. Information about a person's past criminal behavior and other relevant matters would help authorities make the most cost-effective decisions about appropriate detention. There is currently no reliable, consistent information of this kind available in Arkansas.

The Department of Correction has implemented an automated inmate tracking system. The state must continue this important management program and supplement it with a more reliable prison population projection model. This will afford better empirical data that permits long-range analysis and planning. In the near future, a policy group will be appointed to develop and implement this system.

2. ALTERNATE PUNISHMENT

a. **BOOT CAMPS:** A number of other states have created "boot camps," for the incarceration of younger, first-time offenders. This program is currently being considered seriously by eight other states. Arkansas should join these ranks in developing a program that stresses military-like exercise and arduous labor for a brief time in the hope that the selected inmates will be deterred from subsequent criminal activity while paying a price for their violation. The critical element to any proposed "boot camp" program is assuring the selection of those who would otherwise be sentenced to a conventional prison. The "boot camp" should not become the repository for all those who would have otherwise been sentenced to probation. The Department of Correction should work with officials in the judicial system to develop a plan to implement the program during the second year of the biennium. **COST: $525,000 in FY91.**

b. **ALTERNATIVE SENTENCING:** Like the "boot camps," community service and other alternative sentencing for certain nonviolent offenders can save the state taxpayers millions by curtailing the increase of the prison population at the most expensive facilities. The state government must encourage and work with judges around the state to help identify appropriate outlets for community service sentences which may also require further education and training. And once again, the very critical decision about which offenders are proper candidates for this type of punishment is made easier by reliance on the Computerized Criminal History and risk assessment information bank. While all of these programs entail start up costs that are significant, in the

long run their implementation will save scarce taxpayer dollars by helping to avoid the higher costs of traditional incarceration while continuing to impose appropriate punishment upon convicted felons.

c. **EXPANDED PROBATIONARY SYSTEM:** An even more dramatic method of alleviating the overcrowding which drives the need for expensive capital expansion is to expand our probationary system. Currently Arkansas' ratio of probationers to probation officers (243 to 1) is well above the national average. A responsible and comprehensive probationary system imposes rigorous demands on first-time, nonviolent offenders and costs less than it costs to build prisons and house inmates. Arkansas should expand its current probationary system to decrease our ratio and provide for statewide utilization. A specific proposal should follow the upcoming recommendations of the Commission on Arkansas Probation, Parole, and Sentencing Procedures.

d. **WORK RELEASE:** Approximately 8-10 percent of the current inmate population in Arkansas is eligible for existing work release programs. However, because there is no availability in the work release facilities, these individuals must be incarcerated at the more expensive institution. It now costs $19 a day to keep an individual in work release compared to the $23.63 associated with housing an inmate at Cummins.

e. **EDUCATION AND DRUG PROGRAM:** Although Arkansas' recidivism rate is below the national average, 43 percent of all inmates in the state prison have been in prison before serving their current sentence. The national recidivism rate is between 45 and 55 percent. Most of the inmates in the prisons are undereducated or have a history of drug abuse or both. The states with the lowest school dropout rates also have the lowest repeater rates.

Successful programs like the Correction Department's drug and alcohol abuse treatment program and the prison GED and adult education programs lead to lower recidivism rates. Thus, the more inmates whom the Department can get into these programs, the fewer recidivists the state will have to pay to incarcerate. To get more inmates enrolled in these programs, additional funding needs to be placed into the Correctional Department's budget for these specific items. With additional funding, the Correction Department can also provide substance abuse treatment earlier in an inmate's term, increasing the likelihood that the inmate will derive a job skill or acquire his GED while in prison because he will be better able to focus on rehabilitation once freed from alcohol or drug dependencies. The Correction Department should make expansion of its education program a top

priority. It should consider a goal of raising 90 percent of the prison population to the eighth grade reading level. Certainly far more inmates can be in education programs than the 1400 now enrolled out of a total population of 5800.

f. **NEW BEDS:** Even with the space freed by development of alternate forms of punishment and lowering the recidivism rate, the increase in prison population will make construction of more prison beds unavoidable. These beds must be built as cheaply as possible, using prison labor where feasible and the most cost-effective technology. Even if alternative sentencing options reduce the growth of the inmate population, the Department of Correction will need to construct and operate at least 1,220 additional beds by the end of the next biennium. Operation of these additional facilities enhancing security at existing facilities and expansion of mental health and drug and alcohol treatment programs will require a major financial commitment. **COST: $7,306,721 FY90; $14,076,928 FY91.**

B. State Police and Crime Lab

Arkansas must insure that law enforcement agencies such as the Arkansas State Police and the Arkansas Crime Laboratory are adequately equipped to perform their missions. These critical branches of the state government must be effective to support fully the needs of other components of the criminal justice system in Arkansas. In particular, the Crime Lab needs additional staff to handle properly the increasing number of cases which are submitted to that office, and the State Police needs more vehicles.
COST: CRIME LAB - $654,338 IN FY90, $486,424 IN FY91.
STATE POLICE - $2,724,687 IN FY90, $2,048,449 IN FY91.

V. TAX REFORM

Clearly, these investments cannot be made within the existing revenue structure. It is estimated that state revenues will grow only about 4 percent or $60,000,000 next year. Unavoidable costs imposed by Congress (e.g. for catastrophic illness, nursing home reform, welfare reform), by the federal courts (Rogers Hall, Little Rock school case) and the state courts (juvenile justice) as well as those related to prison population increases will consume much of that revenue growth.

If new taxes are to be raised, we must first ask: (1) whether Arkansas, compared to other states, is overtaxed; then, (2) whether our present tax burden is distributed fairly. The clear answer to both questions is no.

Arkansas is 46th in per capita income. In 1987 our state ranked 49th, next to last, in state and local tax collections per person. We ranked 44th in the percentage of personal income devoted to state and local taxes. However, the Advisory Council on Intergovernmental Relations has said we ranked 35th in tax effort, because lower income people must spend more of their money on the basics and, therefore, have less money to devote to taxes.

Per Capita General State and Local Taxes, FY 1986 For Ten States With the Lowest Per Capita Incomes in 1987

(National Rankings - lowest to highest)

State		Amount	% of National Average
1	Mississippi	$ 965	62%
2	Arkansas	1,011	65%
3	Alabama	1,022	66%
4	Idaho	1,054	68%
6	Kentucky	1,103	71%
7	South Carolina	1,138	74%
10	West Virginia	1,214	78%
14	New Mexico	1,241	80%
15	Louisiana	1,253	81%
21	Utah	1,292	83%

SOURCE: *State Budget and Tax News*, Vol. 7, Issue 2 (Alexandria, Virginia: State Policy Research, Inc., February 2, 1988), Table 3, page 6

State and Local General Revenue Taxes As Percentage of Personal Income, FY 1986 For Ten States With the Lowest Per Capita Incomes in 1987

(National Rankings - lowest to highest)

State		PCT	% of National Average
3	Idaho	9.5%	84%
5	Alabama	9.7%	86%
7	Arkansas	9.7%	86%
14	Kentucky	10.2%	91%
19	Mississippi	10.6%	94%
24	South Carolina	10.9%	96%
32	Louisiana	11.2%	99%
35	New Mexico	11.6%	103%
36	West Virginia	11.8%	105%
44	Utah	12.5%	111%

SOURCE: *State Budget and Tax News*, Vol. 7, Issue 2 (Alexandria, Virginia: State Research, Inc., February 2, 1988), Table 1, page 3

As compared to an average national tax profile, we raise more from the personal income tax, a bit more from the sales tax, less from corporate income and franchise taxes, much

less from severance taxes, and much, much less from property taxes.

In terms of the percentage of income going to taxes, Arkansas clearly is not a high tax state. Still we have a regressive tax system which is unfair to lower income workers. Arkansas ranks in the top ten states in the percentage of tax collections it takes from the poorest 20 percent of tax payers.

That is why any attempt to raise new revenues must be accompanied by tax reform. The Tax Reform Commission has yet to make its final recommendation, but some very good options are already clear.

If we can give our people a fair tax system, we should be willing to meet the national average in tax effort in order to finance the necessary investments in education, human development, infrastructure and economic development.

A. Removal of Low-Income Arkansans from Income Tax Rolls

The most regressive aspect of the state's tax system lies in the fact that the rate structure has not been changed since 1971. As a result many lower income Arkansans are paying taxes today when they would not have been in 1971. By raising the threshold to the level at which people are obligated to pay federal tax, over 260,000 filers will no longer owe state income tax. **COST: $9.1 MILLION**

B. Elimination of Personal Property Tax on Household Goods

The Tax Reform Commission recommends adoption of the constitutional amendment ending Arkansas' archaic tax on furniture and other household goods. We are the only state still imposing this tax. Enactment of this amendment would provide additional relief to low and middle income people. **COST: $5 MILLION.**

C. Child Care Tax Credit

In many households with very young children, both parents work outside the home, creating the need for day care services, services which are not always readily available and are expensive when they are. Arkansas currently has a child care tax credit which permits these families to recoup some of this essential expense. To ease the burden, somewhat, more on families who are forced to place their children in day care, this tax credit should be doubled from 10 per cent

of the federally allowed credit to 20 per cent. COST: The state's revenue loss will be $2.5 million annually.

Taking the above steps to make our tax system more equitable will reduce revenues at a time when we need more. Clearly, we need to raise new revenues to pay for tax reform and the programs outlined above. In doing so, however, we should be guided by the following principles:

1. We must keep our total tax effort at or below the national average. This is necessary in order to remain an attractive environment for business activity. It should not prove difficult to do this since presently our tax effort is well below that of most states.

2. We should rely on user fees to the greatest extent possible. User fees ensure that those who benefit from public goods are the same as those who pay for them.

3. We must avoid drawing on sources which make our revenue system more regressive.

This is a program that will bring Arkansas good schools, good jobs, and growing incomes in a competitive world economy. Some will say we can't afford to do it. Can we afford not to do it? The choice is yours. I welcome your questions, comments, and suggestions and ask for your support. Please discuss these issues with your family, friends, and legislators. The next three months of "family meetings" and the legislative session which follows will mark a turning point in Arkansas history. Let's move Arkansas forward -- toward the 21st century.